

A USEFUL LOOK AHEAD FROM WASHINGTON

MAY 1973

# Nation's Business

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WHITE HOUSE VIEW:  
CUT SPENDING  
—OR ELSE

INTERVIEW WITH JOHN D. EHRLICHMAN  
Assistant to the President



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# Nation's Business

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Cover photograph by Yoichi R. Okamoto

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# Memo From the Editor

**Nation's Business** • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D.C. 20006

When you voted last fall, were you voting for bigger and more expensive government? Or to have some things—like giveaway programs, for instance—cut back?

President Nixon and his closest advisers believe the American people made the latter choice. That's the basis for his efforts to contain federal spending.

The President has made his personal views perfectly clear in public speeches and press conferences. To get a further insight into how and why the Administration chose specific programs to reduce, and a better understanding of the overall philosophy, *Nation's Business* editors went to John Ehrlichman (see cover), the President's No. 1 domestic adviser. Our interview with him begins on page 28.

PHOTO: FRED J. MARSON



The President with (from left) advisers Kissinger, Ehrlichman and H.R. Haldeman at the White House.

No matter how many times you've been to the White House you can't avoid being impressed by its atmosphere. We give our President mighty tight security in his home—thank goodness—but there is more to the feeling than just the presence of so many guards. This place is truly the center of power of the free world.

You get the feeling of power, too, from Mr. Ehrlichman

although he is a friendly and affable person. He is, after all, the man who passes along to the President every domestic recommendation. Sort of the equivalent of Henry Kissinger in the foreign field.

Aside from your interest in federal spending as a taxpayer, you have a particular stake as a businessman in the direction it takes. We asked Mr. Ehrlichman about that.

His answer was clear. First of all, deficit spending by the government means it has to compete with you to borrow money. And you know who has the edge. The result is costly and inflationary.

Furthermore, constant increases in federal spending ultimately force increases in taxes.

As Mr. Ehrlichman points out, the easiest target for tax increases is business. Politicians don't like to raise taxes on individuals, so it's easier to go the other way.

It is a fact that over the last few years individual income taxes have gone down while corporate taxes have gone up.

The Chamber of Commerce of the United States is, to borrow an expression from Mr. Ehrlichman, "rock solid" behind the President's efforts to get control of the federal budget. Perhaps you've seen some of the advertisements the Chamber has placed in his support (see page 62).

The Chamber has also been urging its members to ask their Congressmen to support a ceiling on spending, to improve Congressional spending machinery and to get behind Mr. Nixon's vetoes of excessive spending bills. (The first two vetoes were upheld.) Unless the spending can be controlled this year, it will mushroom in the years ahead.

A leader in the campaign for economic common sense will be the National Chamber's new president, Edward B. Rust, president of the State Farm insurance companies.

We visited Mr. Rust in his office in Bloomington, Ill., to get his views for you on this and other national issues. The interview begins on page 54.

Besides heading a business organization which has \$3 billion in assets, he manages and works on the farm where he lives, so he understands the problems of the small businessman, too. As he says:

"It's almost impossible to have your feet in manure and your head in the clouds at the same time."

Jack Woodbridge



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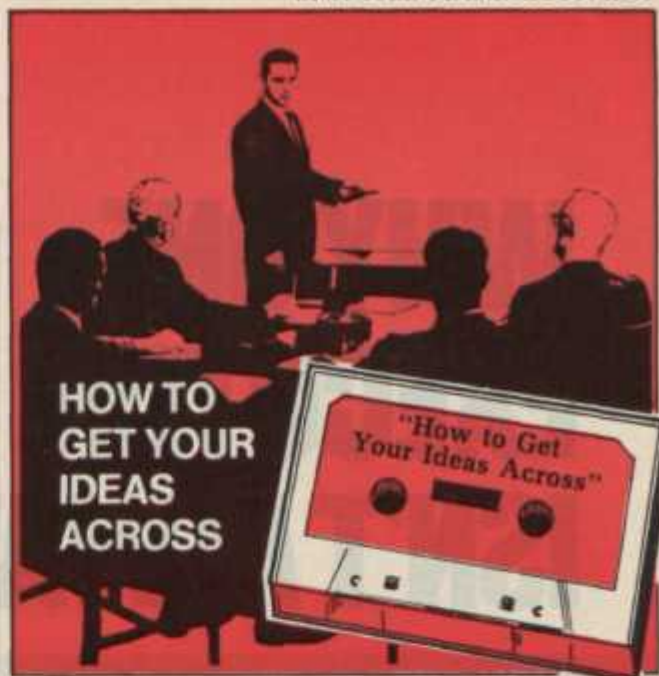
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Month Day Year

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Years at Present Address Own Home Rent Telephone (include area code) Number of Dependent Children Social Security Number

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Amount and Source of other income

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## Letters

# Another Representative's Approach to the Minimum Wage

• As a reader of NATION'S BUSINESS, I noted with interest the article by Rep. John Erlenborn, ranking Republican on the House Labor subcommittee which I chair. While I understand and respect Mr. Erlenborn's position in "A Moderate Approach to the Minimum Wage" [March], I feel that the business community should have the benefit of other, equally compelling views.

I agree that all Americans have a stake in the minimum wage legislation. Unfortunately, those who have the greatest stake—and the least voice—are the unorganized, minimum wage workers, most of whom are in the smaller entities covered by the Fair Labor Standards Act. This group seldom receives any more pay per hour than the Congress mandates.

The seriousness of this matter is that those employees covered by the Act prior to 1966 have not received a wage increase since February, 1968. Employees covered by the Act for the first time in 1966 received their last increase in February, 1971. Since 1968 and 1971, respectively, minimum wage workers have been earning \$1.60 an hour, and inflation has eroded the purchasing power of that wage to the point that today it is worth about \$1.25.

[Rep. Dent has offered amendments to existing legislation that

would increase the minimum wage for nonagricultural workers covered before 1966 to \$2 an hour and raise it to \$2.20 one year later. For non-agricultural workers to whom minimum wage coverage was extended in 1966 and thereafter, the minimum would go to \$1.80, to \$2 a year later and to \$2.20 a year after that. In agriculture the boost would be to \$1.50, \$1.70 a year later and \$1.90 a year after that.

[In each category, the top figure is higher than that proposed by Rep. Erlenborn. Also, Rep. Dent does not propose a separate minimum wage for teen-agers as does Rep. Erlenborn. Mr. Erlenborn proposes a lower minimum for 16- and 17-year-olds during the first six months of employment in full-time jobs, and for any full-time students as long as they are students.]

My proposal failed to go to conference last year because of intense lobbying by the fast-food chains interests—the largest employers of youth—who want to return to sub-minimum wages for high school dropouts. In many instances these youngsters are starting on their first jobs. Conversely, a large majority are heads of families or significant contributors to low-income families.

Because of the inordinate amount of time since the last minimum wage increase, I feel my approach is not intemperate as some charge. It is a very limited attempt to enhance the living standard of thousands of workers. If enacted, it would bring them only to the threshold of the established poverty level of income.

JOHN H. DENT (D.-PA.)

Con. mem.  
General Subcommittee on Labor  
Comm. on Education and Labor  
House of Representatives  
Washington, D.C.

## Unhappy by-product of strikes

• The article, "How Your Tax Dollars Support Strikes" [March], was excellent.

The General Electric and New York Telephone Co. strikes are fresh in our minds.

One burden of a tax-supported strike not mentioned in the article

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## Letters *continued*

should be of great concern to the general public. When a business' unemployment tax rate goes up, the added cost is passed on in the cost of the product to the public.

Admittedly, this would be rather indirect in the case of GE, headquartered in nearby Syracuse, because its products are distributed nationally. [New York and Rhode Island are the only states that pay unemployment compensation to strikers.]

However, the New York Telephone Co.'s added cost in unemployment insurance benefits is passed directly to New York State taxpayers, and only to them, in increased telephone rates. The company's requests to the Public Service Commission for increases in tariffs are based on actual expenses and revenues.

There is no question that there is serious abuse here of the intent of unemployment insurance.

G.E. GRANT

*President  
Tollmache Tire Service, Inc.  
Cortland, N.Y.*

• Perhaps the strikers (workers who pay heavy taxes) are tired of supporting the welfare recipients (who contribute no dollars) and have decided to join them because they can't beat all those handouts to the welfare recipients.

MRS. BLANCHE SAUER  
*Sterling Heights, Mich.*

### When the debt was peanuts

• "The Past is Prologue" [March], which recalled articles published 35 years ago in NATION'S BUSINESS about taxes, reminded me of my ex-

perience in connection with the Federal Taxation Committee of the Chamber of Commerce of the United States.

One of the major topics for discussion in that period was, "Should the Chamber support an increase in the federal debt limit from \$50 billion to \$55 billion?" Since then, government expenditures have proceeded at an accelerated rate. The federal debt limit has been raised to astronomical proportions and the evil consequences of constant and drastic inflation are around us everywhere.

ALLEN WHITFIELD

*Attorney  
Whitfield, Musgrave, Seitz, Kelly & Kelly  
Des Moines, Iowa*

### Our trade problems

• It is refreshing to read the letter from Edna Coffin Choo [March] offering suggestions for improving America's position in international trade. They should be studied very carefully by all American businessmen.

If currency realignments really meant as much as conventional economists would have us believe, then the Germans should have been priced out of the export business several years ago, what with revaluations, floats and dollar devaluation. Instead, their exports continue to grow, and their rate of inflation is no worse than that of the United States.

Most American manufacturing companies, of course, do not export, and never have tried, and unless they do (the opportunities are tremendous) the United States will lag even more in international trade.

WALTER H. DIEBOLD  
*Charlotte, N.C.*

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Small Business Week will be observed throughout the country May 13-19, marking the vital influence small businesses have on the nation's commerce and economy.

Highlight of the week will be the national annual Subcontracting Conference and awards luncheon at the Shoreham Hotel, Washington, D.C., May 15. It will be followed by the annual meeting of SBA's National Advisory Council May 17 and 18 at Sea Pines, Hilton Head, S.C.

Some 500 small businessmen, members of Congress, representatives of large industries and government officials will attend the Subcontracting Conference. Theme of the meeting is: "Small Business Speaks, Who Listens?"

Small businessmen will be given the opportunity to present their problems to big business representatives

*Prepared by the Small Business Administration.*

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and government officials, who will discuss solutions. Sponsors of the conference along with SBA are the Aerospace Industries Association, Electronics Industries Association and National Security Industrial Association.

In addition to contracting, exporting by small business will be stressed. Henry Kearns, president and chairman, the Export-Import Bank of the United States, will be a featured speaker.

The Small Business Subcontractor of the year will be named at the luncheon, selected from candidates of the various SBA regions, each of which previously chose an awardee. Nominees are submitted by prime contractors. Last year's winner was Dr. H.J. Riblet, president, Microwave Development Laboratories, Inc., Needham Heights, Mass., nominated by Hughes Aircraft Co.

The Small Business Week poster contest winner, Ronald C. Laskowski, Armament Systems Department, General Electric Co., Burlington, Vt., also will be honored. The poster, pictured here, was selected from a group of 55 submitted by prime and subcontractors all over the United States. It will be displayed nationally in large and small manufacturing plants, stores, banks and other business establishments, and in local government buildings.

SBA's National Advisory Council is composed of representatives from each of the 64 SBA District Advisory Councils plus a number of members at large from various regions. It develops resolutions and recommendations regarding small business programs and activities.

This year's session will be a brainstorming one on new directions to accommodate the interest of young people in small business. Changing concepts of education and integrating business management training into school curricula will be discussed.

The National Advisory Council will name the Small Businessman of the Year from nominees for State Small Businessman of the Year from SBA regions. Last year's winner was Henry Marcheschi, founder and



president, American Telecommunications Corp., El Monte, Calif.

In designating Small Business Week, President Richard M. Nixon stated: "In no facet of our national life is the American genius for independence, innovation and self-improvement better displayed than in the small business community. I ask all Americans to share with me during this week a deep pride in the many accomplishments of our nation's small businessmen and women, and in the invaluable contribution they have made to our free way of life."

"There is added significance to the week this year," SBA Administrator Thomas S. Kleppe points out, "for 1973 marks the 20th anniversary of SBA's establishment." He adds:

"There are now more than eight million small businessmen in the nation, comprising 95 per cent of all commercial enterprises and providing approximately 35 million jobs. Last year alone, small businesses contributed more than \$420 billion to the gross national product. This is a track record Americans can be truly proud of."

Chairman for the Subcontracting Conference is H. Dixon Smith, SBA Procurement Office, Washington, D.C. 20416 (telephone: (202) 382-5506). John Jameson, SBA director of advisory councils, Washington, D.C. 20416 (telephone: (202) 382-6125) is handling arrangements for the Hilton Head meeting.



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## Varied Troubles Tarnish the Outlook for Copper

Enough copper is believed to be under the earth's crust to supply mankind for generations. This sounds fine for the world of copper—for Anaconda, Kennecott, Phelps Dodge and other companies.

But the production situation isn't as good as the supply. Copper men are facing troubles which some see as similar to those besetting the oil industry.

The magnitude of these troubles was brought out at a seminar at The Center for Strategic and International Studies in Washington, which is actively supported by companies that do business in a wide range of fields.

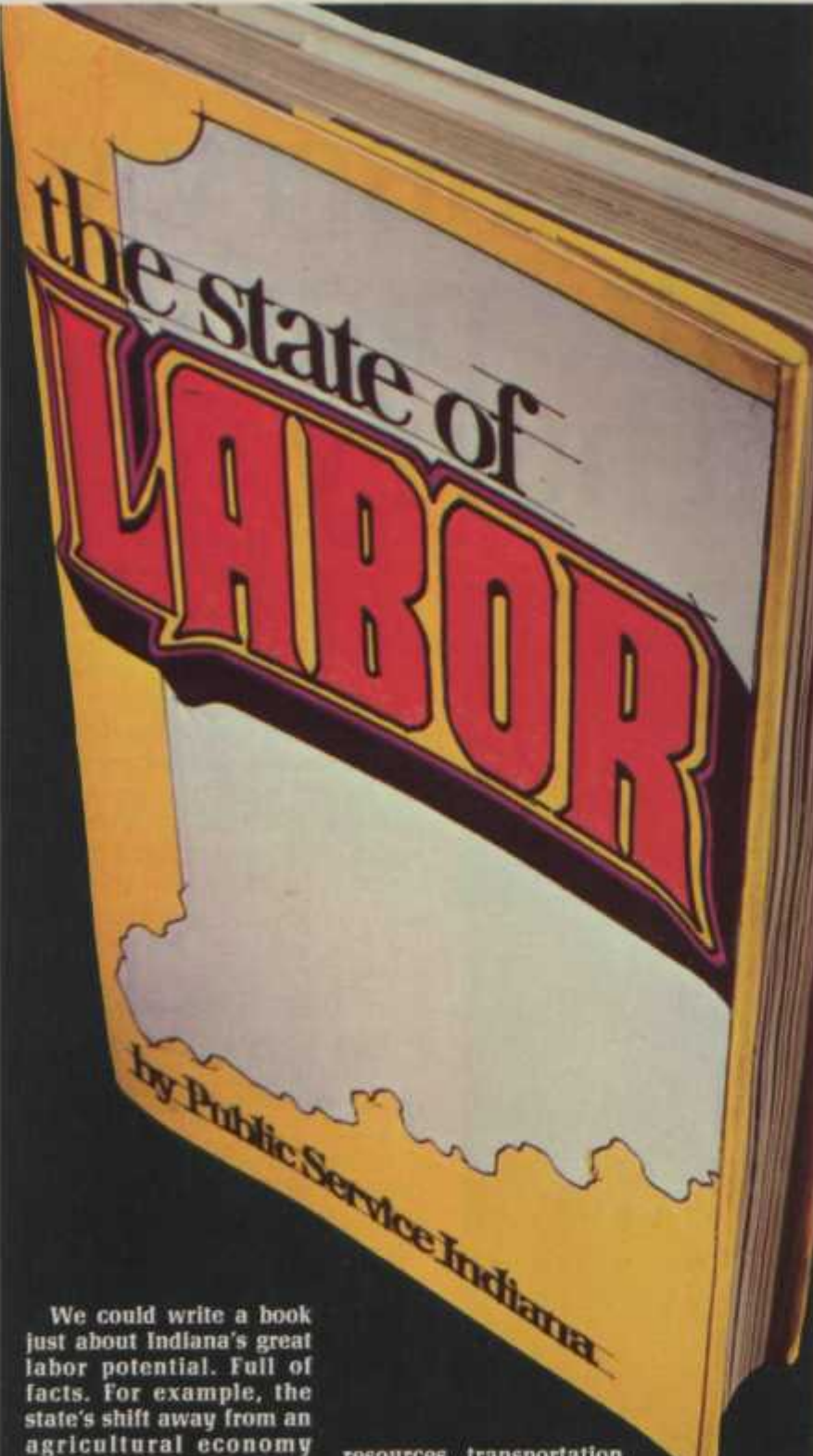
Take the situation in Zambia, a major producer, which sits on at least 27 million tons of recoverable copper—the only countries known to have more are the United States with 81 million tons and Chile with 56 million. (Known world reserves are 340 million tons and world consumption runs to nearly eight million tons per year.)

A landlocked African country, black-ruled Zambia is involved in racial, territorial and political troubles.

The shortest way for its copper to reach a port is through white-ruled Rhodesia, but for years the border has been troubled and sometimes entirely closed. Often, not even empty freight cars have been allowed to enter Zambia for reloading. Alternative routes over the Benguela Railway to Lobito in Angola and by rail and highway to Dar-es-Salaam in Tanzania are circuitous.

This situation is not unlike that in the Middle East, where oil pipelines are blown up for political or nationalistic reasons.

Then there's Chile, where Marxist President Salvador Allende has taken over mines developed by Anaconda, Kennecott and Cerro. U.S. govern-



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## Varied Troubles Tarnish the Outlook for Copper *continued*

ment loans and increased payments for copper could not divert him. Even should he be deposed, it's doubtful if mines and equipment ever will go back to the companies.

During the seminar, at which speakers refused to be quoted by name, copper company representatives said that paying local workers big salaries and giving high positions to natives is no automatic protection against expropriation. One company, it was noted, had only three Americans in Chile out of 10,000 workers, and its properties still were expropriated.

Local investment in a company's operations also cannot be counted on to hold back expropriation, it was pointed out.

Here again is similarity with oil. Libya has nationalized foreign oil holdings, with its head of state, Col. Muammar el-Qaddafi, playing the role that Salvador Allende played in Chile. Even the Shah of Iran, a friend of the West, says he will take over foreign oil properties in a few years.

Copper is found in many countries outside the U.S. in addition to Chile and Zambia—Australia, Indonesia, Malaysia, the Philippines, Iran, South Africa, Zaire, Upper Volta, the U.S.S.R., Cyprus, Argentina, Colombia, Ecuador, Peru, Panama, Mexico and Canada.

But, in many of these places, too, political problems abound.

### What's safe today . . .

Copper is known to be at Cerro Bolivar in Panama, but at least one American company won't take a chance and make a deal with the Panamanians. "Anti-American feelings run strong there," a spokesman said. "Politicians oppose us. Nationalism is high. It could be safe, but what's safe today may not be safe tomorrow."

Said another seminar participant, speaking of a number of countries:

"Miners are regarded as rapists. Nationalists say that the ore is theirs and that foreigners are only there to steal it."

To muffle such a chorus in Aus-

tralia, one non-American company sold stock to 29,000 Australians, and pressures against the company abated.

But American companies have not emphasized stock selling in foreign countries. Those doing so have often been disappointed.

"We've found that people in many places can get 12 per cent interest on their money on other investments," said a speaker. "That's more than they can get with us. We also find it's dangerous to take in investors during exploration stages. When exploration doesn't turn up anything, the locals lose money and start saying, 'Those American took our money.'"

Staggering sums are involved in copper extraction. The British firm, Rio Tinto Zinc, spent \$45 million looking for copper on Bougainville, an Australian territory in the southwest Pacific.

Copper was found, but several hundred million are now needed to extract and ship it.

In Sabah, a Malaysian state on Borneo, Mamut Mines Development Co., 91 per cent owned by seven Japanese firms, spent nearly \$10 million exploring. Then came a disagreement with the government over arrangements. Eventually, the Japanese hope to get back to work in Sabah.

Other troubles disturb the industry.

Although 1972 was a good labor year, previous years were not. Demand for copper climbed higher and prices edged up, but low prices combined with increased costs hurt profitability and only a modest recovery was made in 1972 over low levels of previous years.

Prices have been climbing in 1973, however. There have been two price increases this spring.

Although the U.S. produces most of its own copper, imports are substantial—they're about 8 per cent of consumption—with resulting effect on the balance of payments.

H. Myles Jacob, president of Inspiration Consolidated Copper Co., has told an industry audience that "as the U.S. becomes increasingly dependent on foreign copper, we will pay through the nose. History teaches us that the pricing of foreign copper

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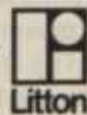
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ENERGETIC  
OKLAHOMA

## Tarnished Outlook for Copper *continued*

in times of stringency knows no restraints."

U.S. copper consumption rose from 1,350,000 tons in 1960 to 2,200,000 last year, including domestic, imported and reused copper. New uses are constantly being found for the red metal, ranging from glass molds to boat hulls which resist barnacles.

Consumption is expected to rise world-wide, as living standards go up—bringing per capita demand for copper from perhaps half a pound annually in some countries to the U.S. level of 20 pounds.

### The cost of "clean air"

Among the industry's big problems is the effect on the environment of its sulfur emissions.

Unless clean air standards are relaxed, the United States will soon be importing much more copper. Environmentalists have fought against smelters for years and have forced great improvements in air quality—but at enormous costs to companies. Environmentalists point out that for every pound of copper produced, a pound of sulfur goes out the stack. Various laws demand 90 per cent elimination of sulfur.

Phelps Dodge operations in Arizona are an example of how high the cost is.

"We have three smelters there," George B. Munroe, president, told an interviewer. "More than \$28 million is being spent at Ajo, more than \$85 million at Morenci and \$15 million at Douglas." Meanwhile, the firm is building a new smelter at the Tyrone mines in New Mexico and will have every workable device to extract sulfur and other impurities from emissions.

"Under Arizona standards the \$15 million we're spending at Douglas will do the cleaning job," said Mr. Munroe. "But if federal proposals prevail over Arizona state standards, \$60 million more would be required at Douglas. This would make the smelter uneconomic and it would be closed."

A number of the industry's smelters will be allowed to operate only until 1975 when federal clean air standards are fully effective.

Magma Copper Co. is building a \$30 million facility at San Manuel,



Anaconda Co. operates this open pit mine at Twin Buttes, Ariz., in the heart of copper country, U.S.A.

Ariz., where—a happy by-product of antipollution efforts—sulfuric acid will be produced from sulfur coming from ore.

Meanwhile, Anaconda will soon start construction on a \$59 million plant near Twin Buttes, Ariz., that will use sulfuric acid to extract copper from ore through electrolysis.

A study by Arthur D. Little, Inc., found that \$720 million is needed by 1975 for a thorough copper industry cleanup and \$190 million annually will be needed to maintain standards. Copper is a \$1.7-billion-a-year industry in the U.S.

Copper men have known they would "be in trouble with smelter smoke," said Inspiration Consolidated President Jacob, whose firm is spending \$50 million on a cleanup at its Inspiration, Ariz., smelter near Phoenix. "But we didn't know how much. . . ."

"We are chary of starting a partial cleanup and then having requirements change. As federal and state laws and regulations are still in a state of flux, we're really playing a game even now where the rules change while the ball is in motion."

Cleaning up after copper smelting, Mr. Jacob said, "is like buying a 50-cent can of beer and having to pay 50 cents to dispose of the can."

END



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"Region has adequate utility and fuel assets, Superior rail and Highway Network. Location Central to PPG's major markets. Abundant pool of skilled and talented labor."

But Mr. Barker is very quick to point out that some of the most important reasons behind PPG's decision to put its new float glass plant in Carlisle could never show up in a computer readout. And since the plant is one of the world's largest with a yearly production potential of 300 million square feet of glass, the community's point of view became crucial to PPG.

Mr. Barker says,

"We look to a community's attitude and cooperative spirit. From the beginning we found that spirit here."

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perience is not unique. Businessmen find the attitude they need to prosper. A spirit of cooperation. And a refreshing lack of bureaucratic red tape that helps get things done. But there's help of a much more concrete type available, too.

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## Pennsylvania • Minds Its Business



# Executive Trends

BY JOHN COSTELLO  
Associate Editor

## Are the years starting to show?

Some executives really slip, when they hit the 50s.

"The real tragedy lies in the fact that it's avoidable," says Dr. Harry Olson, executive director, Executive Program Center, a Minneapolis, Minn., foundation.

Here are some of the telltale signs, he says:

- Those eyes staring back at you from the mirror seem to sag a little more.
- The typists still wink at you, but give you the one they save for Grandpa.
- You're taking a pasting in your battle of the bulge.
- Talk at the coffee break centers on the obituary columns, rather than livelier topics.

One of the best ways to reverse that slide, expert Olson says, is to take a personal inventory.

How often?

At least every three years. And it should cover items like this:

1. Am I coasting—or giving my company 100 per cent?
2. Do I enjoy my job, or am I sweating out my pension?
3. How have I broadened my skills in the last three years?
4. Is the man below me a threat, or am I helping him become a company asset?

"In short," Dr. Olson says, "ask probing questions which will reveal what you're achieving—and whether you're growing or stagnating."

"More men have ended up in blind alleys from poor performance than any other cause."

You won't, he adds, if you keep generating new ideas and charting new growth.

## The latest freshman crop

This year's college freshmen are a shade more middle of the road, politically.

That's the word from the American Council on Education, which makes an annual survey of the first-time, full-time frosh.

"Previous surveys have shown a trend in the liberal direction," the Council says.

But the students who finish their first college year next month show a reversal of that trend, it adds.

Here's how members of this class label themselves politically—compared with last year's class:

	Liberal or far left	Middle of the road	Conservative or far right
Class of '73	35.2%	48.3%	16.6%
Class of '72	38.1%	46.8%	15.2%

## How you can curb consumer gripes

Or some of them, at least.

Guidelines for handling that problem are set out in a report drafted by

business leaders. They're meant to help businessmen answer questions consumers ask most. Like these:

Is Brand X the best buy?

What's the cost per ounce?

Is it still fresh?

How long will it stay that way?

Is it nutritious?

What's in it?

The report, by the National Business Council for Consumer Affairs, is called "Guiding Principles for Responsible Packaging and Labeling."

NBCCA's sub-council on packaging and labeling drafted it.

The sub-council's chairman, James P. McFarland, board chairman and chief executive officer, General Mills, Inc., says:

"We believe some consumers feel they need more information with which to assess value."

"And we believe these guidelines provide the framework within which

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So, for your business, and hers, think about leasing your cars. From us. We're in the Yellow Pages under "Auto Renting and Leasing."

# Maybe hers should be, too.



## Executive Trends

*continued*

consumer products can be better packaged and labeled."

It's the first of a series of reports planned by NBCCA, a top-level business advisory group created by the White House last year.

You can get a copy from the Council at the U.S. Department of Commerce, Washington, D.C. 20230.

### Watch what you say in those want ads

It's O.K. to specify "beginner."

But verboten to say: "Attention June grads."

And it's perfectly fine to ask for a "junior accountant"—if you're referring to experience. However, if you mean age, you're in trouble.

Federal laws that prohibit discrimination because of age or sex make care necessary in how you word your "help wanted" advertising.

So says a spokesman for Western Temporary Services, Inc., a San Francisco-based temporary help firm.

"For example," he says, "your want ads can't use phrases like 'student,' 'recent vet' or 'Viet Nam veteran.'"

"But you won't invoke Uncle Sam's wrath if you say 'minimum age 20,' 'college grad—no experience,' or 'bright beginner.'"

"As for sex, advertising for a boy or man, or a girl or woman, is safe—provided that sex is clearly an occupational qualification."

What's the best rule of thumb to follow?

Read what you write—twice, he says.

"Then," he adds, "lean over backwards to make sure it can't be twisted into bias—for or against—age or sex."

### How to be taken over

Cut your debt to the bone.

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## Executive Trends *continued*

money," says Bruce Henderson, president, Boston Consulting Group, Inc., Boston, Mass.

Here's how it works, he explains.

David gets a large, short-term loan—"turnaround money." He makes an attractive tender offer for Goliath's shares.

Then he merges the two companies—and gets a big, long-term loan, using the untapped borrowing power of the large company.

With the proceeds, he pays back the turnaround money.

"Often," Mr. Henderson adds, "the new, merged company will make a big stock offering. That, in effect, enables it to convert into cash the gain realized by the merger."

If you're Goliath, how do you keep from being swallowed up by a midget? Here's what Mr. Henderson suggests:

- Increase the size of your business by acquisitions of your own.
- Use your borrowing capacity, perhaps to buy back outstanding shares.
- Trim excess current assets, perhaps by hiking dividends.
- Jack up the price of your stock—by the methods above.

"Then," he says, "you're doing two things: Making full use of corporate resources, and repelling the boarders."

### Making the office more productive

Some people are doing it.

Look at the insurance companies, says one authority.

"They had an edge on other industries," declares Gene E. Jackson, of Coloney, Cannon, Main & Pursell, Inc., New York, management consultants.

"In that business, the white collar worker is the equivalent of the blue collar production worker elsewhere.

"So insurance companies took a realistic approach to office productivity. The same kind of approach that other industries took toward the plant."

In the last 10 years, he adds, the blue collar worker has become 85 per

cent more productive. Partly, of course, because of labor-saving machines.

"But the office force," Mr. Jackson says, "could improve, too."

"Good task forces on productivity have pared a company's white collar costs between 15 and 25 per cent. Not by looking at the worker, but at the work load."

That means asking three questions, he adds:

- First, not how can this work be done more efficiently, but why is it done at all?
- Second, why is it done the way it is?
- Third, why is the work structured—or split up—the way it is?

"The end result," Mr. Jackson says, "is doing away with useless work, streamlining the rest and organizing the office to handle it with the least wasted motion."

Why haven't more businesses tackled the job?

Partly, he claims, because they haven't realized how much they could save.

### Lunch with the board

Breaking bread together tears down fences.

At least, Royal Crown Cola Co. finds it so.

"At most companies," President William C. Durkee says, "the board of directors meets, goes off to lunch together—then scatters till the next get-together."

"Royal Crown directors don't."

"They use the occasion to rub shoulders—and share ideas—with the executives who operate the company."

The schedule works like this, for the board:

Meet in the morning in Columbus, Ga., where the company is headquartered, and adjourn at noon. Then go to a buffet lunch with department heads.

"It helps both groups to know each other better," Mr. Durkee adds, "and that makes for a strong team spirit."



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## Repeaters: A Happier Ending to an Old Story

Chicago businessman John H. Palmer, who spent 10 days in jail last winter, is convinced more than ever that incarceration and rehabilitation are not necessarily synonymous.

Mr. Palmer, who has been working for three years to get jobs for ex-convicts, had himself committed to the maximum security prison in Thomaston, Maine, to see if he could better understand the mentality of a man behind bars.

"Until you actually crawl into a man's skin and look out of his eyeballs, it's very difficult to realize what is going on," he later told an interviewer.

John Palmer is president of Palmer/Paulson Associates, Inc., which helps some of the country's largest corporations to train and motivate people. Several years ago, the Justice Department asked the Chicago firm to come up with a program for easing convicts back into society.

Since 1970, working with penal institutions in three states, Mr. Palmer and a staff of counselors and job developers have found employment for some 1,500 recently released prisoners. Amazingly, only 15 per cent have returned to prison. Nationally, the recidivism rate runs about 70 per cent.

"Wall-to-wall policemen are not going to solve the problem of crime in



Prisoners quickly found out through the grapevine why businessman John Palmer was behind bars: To help them.

the street and neither is building a penitentiary in every cornfield," Mr. Palmer says. "It costs the taxpayer a bundle in life, property and money to perpetuate this archaic system of punishment. . . .

"What sense does it make to send a man to jail for a year for embezzling \$1,500 when you could let him remain free to return the money and not become another burden on the state?"

For example, he adds, if ex-Teamsters Union leader Jimmy Hoffa, who served almost five years in a jury tampering case, "had been sentenced to carrying bedpans at a community hospital over weekends rather than being permitted to become the reigning czar at Lewisburg Penitentiary at great expense, that would have been a more fitting punishment."

The expense of keeping a man in prison runs as high as \$8,000 to \$9,000 a year. Palmer/Paulson has found it can rehabilitate a convict and get him a job for between \$600 and \$800 a year.

First, a job is found for the inmate before his release. The next step is to indoctrinate the convict, sometimes in the simplest basics of life outside, like setting an alarm clock and making a telephone call. Finally, a counselor is assigned to work with him during the process of his being released and for some time afterwards.

Fully 85 per cent of the crime in urban areas is committed by repeaters. On average, they are arrested six weeks after leaving prison. More often than not, they have returned to crime because they cannot get jobs. •

## Taking a Stand for Standout Performers

Robert C. Wilson, president and chief executive officer of Collins Radio Co., believes in discrimination—positive discrimination in favor of people who can get the job done.

"Perhaps there are some elements of our society that can afford the luxury of nondiscrimination," says the Dallas, Texas, executive. "I refer to those who don't face a truly competitive situation."

"But American industry is involved in a struggle with manufacturers around the world. And to survive in

this competition, American industry simply must have better performance from its human resources than our foreign competitors have."

Mr. Wilson believes this country needs the contribution of every individual who has the potential of being a high performer, whether he was born on a reservation in Arizona, in the slums of New York, or at the most exclusive hospital in the land.

While there are no statistics, Mr. Wilson says, he suspects that in nearly any company not more than 5 per cent of the work force is capable of making the greatest contributions.

"It is important to industry, and to society as a whole, that we identify

these people early in life and help them develop their capabilities—help them make the maximum contribution," he notes. "Our system should encourage them to grow faster and grow taller than their associates."

"They are outstanding individuals and should be recognized and treated as such. In many instances we tend to force them to grow at the same pace as the slowest member of the group with which they are associated, thus discriminating against them. . . .

"In such cases, we are discriminating against ourselves, because as a nation we're losing some of the potential these individuals represent." •

*continued on next page*



## Chrysler Turns Out Fruitful "Lemons"

Chrysler Motors Corp. is deliberately turning out some Plymouths with malfunctioning parts.

But these "lemons" are not going out to customers. Instead, they are being used to train young mechanics.

Next month, the company will stage its 24th annual troubleshooting contest. The event, to be held in Boston, will attract more than 200 top auto mechanics students from practically every state.

Chrysler will pick up the entire tab for their expenses. It will also contribute more than \$90,000 worth of scholarships and prizes.

In the troubleshooting contest, more than 100 Plymouths are lined up on a lot, each with an identical malfunctioning part. It might be a fuel pump with a missing valve, or shorted ignition points or spark plugs that won't spark. Awards are based on how fast students spot the trouble, as well as how high they score in a written test.

Chrysler launched these contests in 1949 in Los Angeles to help recruit qualified mechanics. It became a national event in 1962 and today more

than 165,000 students in 2,000 vocational schools vie in 110 local contests for a chance to take part in the national finals.

The need for auto mechanics has never been greater. There are an estimated 115 million vehicles in operation in this country and only 600,000 mechanics to service them. That's one mechanic for every 190 vehicles. A ratio of one to 80 is considered ideal.

J.J. Riccardo, president of Chrysler, told *Nation's Business*:

"The Plymouth troubleshooting contest is a high priority program at Chrysler. We feel we are fulfilling a

real need in vocational education and many of our dealers have become active in school affairs in their communities as a result of their association with the program.

"Educators tell us that the way it is structured—as an interschool competition—helps provide incentive for the students. It's a good program for everyone involved."

Since the contests were inaugurated an estimated 18,000 students who have taken part in them have become full- or part-time auto mechanics. They average about \$12,000 a year and some earn as much as \$25,000 a year. •



Young mechanics race the clock to find planted "bugs" in a Chrysler troubleshooting contest.

## How to Counter the Counterfeiter

With counterfeiting on the upswing—some \$23 million in phoney money was seized in this country in fiscal 1972—a variety of devices for detecting bogus bills and coins are being marketed. But none has the endorsement so far of the U.S. Secret Service, the federal agency charged with thwarting counterfeiters.

Actually, the average businessman can train himself to detect most phoney money with the naked eye and the Secret Service is urging more businessmen to do just that.

The simplest test is to compare a suspect coin or bill with the genuine article of similar denomination. In the case of bogus currency, the printing

usually appears flat and lacks the three-dimensional quality of genuine notes. In the case of coins, the tip-off to a counterfeit is that it usually feels greasy. Another sign is that the coin's corrugated outer edge is missing, or uneven.

According to Secret Service Director James J. Rowley, today's counterfeiter appears willing to take greater risks to reap greater profits.

"The counterfeiter now deals directly with more people upon whom he has collected less background data than the more provincial counterfeiter of the past," Mr. Rowley says.

"In previous years the counterfeiter was often a cautious, suspicious introvert who would demand criminal credentials, often authenticated by blood relatives, before he would sell his product to a stranger.

"Today's counterfeiter is less concerned with his personal safety and more concerned with volume sales of his merchandise. He makes more deals with more people in shorter periods of time."

The Secret Service chief says that while the counterfeiter is arrested just as quickly as in the past, he now places far more bogus currency in circulation before he is nabbed.

Here's what Mr. Rowley suggests a businessman should do if he thinks he has just been handed bad money: Don't return it to the passer; telephone police or the U.S. Secret Service; try to delay the passer; note his description as well as his automobile license plate if he's driving. Finally, Mr. Rowley says, the victim should write his initials and the date on the bill and surrender it only to authorities. •



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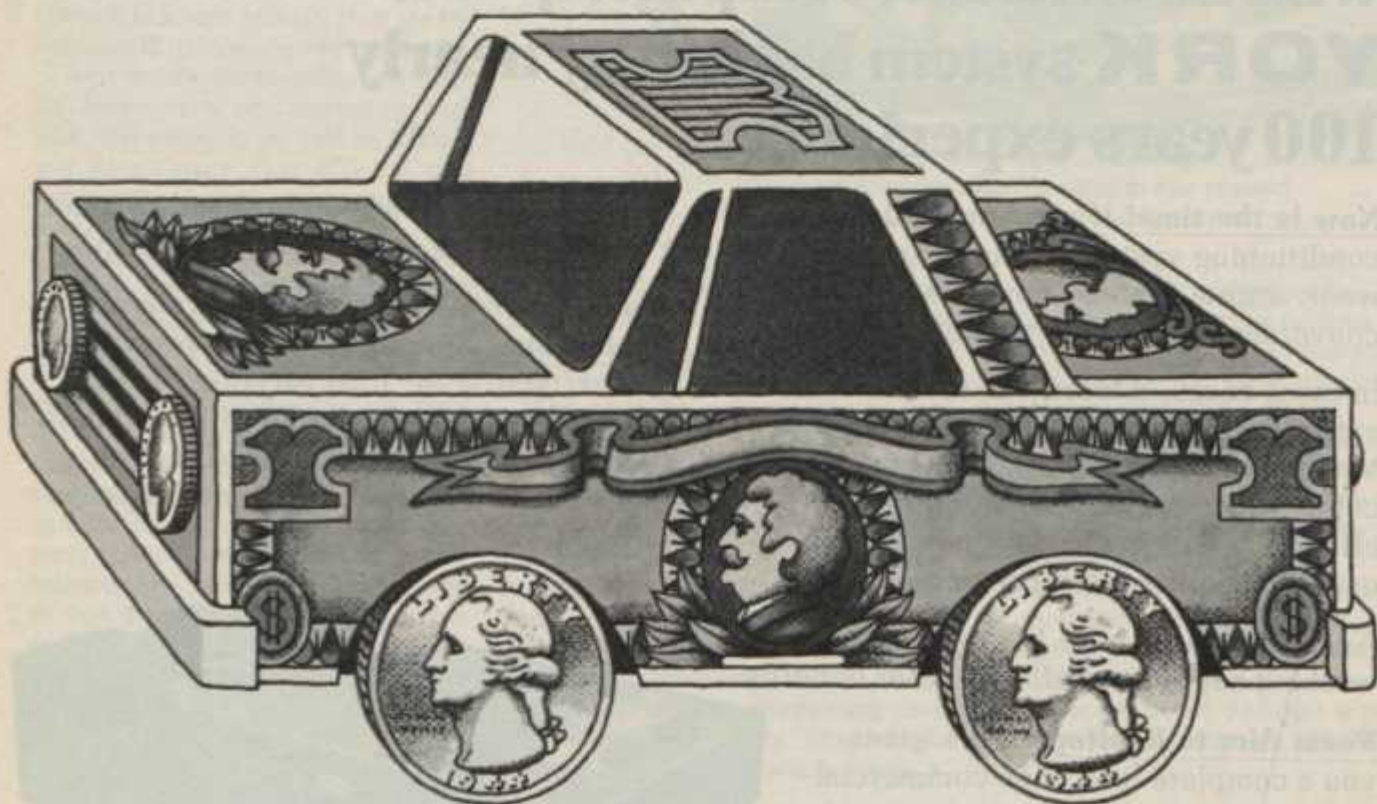
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## Sound Off to the Editor

# Amnesty for Those Who Wouldn't Serve?

"Those who served paid their price. Those who deserted must pay their price . . . a criminal penalty."

With that clear-cut declaration, President Nixon gave notice that the end of the U.S. role in Viet Nam would not change his opposition to granting amnesty to Americans who dodged the draft or deserted the armed services during the conflict.

But the debate over amnesty goes on, with many of those who opposed the war most noisily—including some members of Congress—demanding blanket forgiveness for those who refused to serve.

It's argued, in behalf of a policy of "come home, all is forgiven," that:

- This nation has a tradition of post-war amnesty, as exemplified by Abraham Lincoln's call to end the Civil War "with malice toward none, with charity for all . . ."

- The U.S. is depriving itself of the potential services and contributions of thousands of young men who have fled the country but could return in a general amnesty.

- Those who refused to serve felt a higher duty to conscience, believing the war an "immoral and unjust" one in which they could not rightfully be compelled to take part.

On the other hand, it's argued that:

- A general, unconditional amnesty has never been given to wartime draft evaders and deserters in this country. What is now frequently being cited as a broad amnesty granted by President Lincoln was actually his decision that former Confederate soldiers would not be punished if they took an oath of allegiance to the Union.

- The overwhelming majority of

draft evaders and deserters have not fled abroad but are living in this country and could square their debt any time by turning themselves in.

- Millions of Americans served in the military during the Viet Nam era, and 55,000 of them were killed and 300,000 were injured in the war. Amnesty to the relatively few who refused to serve would be breaking faith with those who did.

- Accepting the "conscience" argument would put official sanction on the concept that any citizen has a right to violate any law he dislikes—an action that could lead to anarchy.

The debate is expected to grow more intense as the agony of United States involvement in the fighting fades into history.

What do you think? Should a general amnesty be granted those who wouldn't serve?

Jack Wooldridge, Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20006

Should a general amnesty be granted those who wouldn't serve? ☐ Yes ☐ No

Comments:.....

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## Sound Off Response

### A Sour Look at Some TV Programs

"Today's youth need all the constructive guidance they can receive. To further confuse life by the raw type of television programs shown today is not only a disservice, it is a crime."

Comments such as this one by F. Norman Woodruff, director of gas proration operations for El Paso Natural Gas Co., El Paso, Texas, predominate among responses to the March "Sound Off to the Editor" question, "Is Television Too Raw?"

Almost nine out of 10 of the readers taking part in the survey replied in the affirmative, many of them vigorously. Sex and violence in TV programming, they claim, have gone beyond the bounds of propriety. Such programming's effect on young minds is a particular sore point.

Many of those who take the negative side of the question stress that today's TV fare is life as it really is and that young viewers should not be shielded from reality. Also running through the dissents is strong opposition to anything that smacks of government censorship.

Here are some representative comments on both sides:

"The standard advice when parents complain about the content of television programs—change channels or turn the set off—is not valid for many reasons," writes Clark M. Leonard, president, Lanco Engineering, Torrance, Calif. "I have children old enough to be left home without a baby-sitter when we are going out for short periods and I strongly resent having to worry about what they may see on television in my own home when I am not there."

Lewis Y. Buckingham, president, Premier Warehouse, Inc., Alexandria, Va., says: "I think that because of the masses reached through this me-

dia great selectivity should be used as to what is offered the American public. A key phrase here is selectivity versus censorship. Why show a muddy river when you can show blue skies?"

"How long shall we continue to shelter society from its own realities?" asks Gary Ford, sales engineer, Steelcraft Corp., Memphis, Tenn. "To present anything but life as it is, raw or otherwise, is to continue to live in a dream world. If everyone were educated to 'raw' life they would be better able to cope with life in general."

"Like beauty, taste is in the eye of the beholder," comments another No voter, Gerald B. Smith, vice president-marketing, The Carbone Corp., Boonton, N.J. "One man's WOW! is another man's ho-hum. With values and attitudes changing people must be more selective in what they choose to see."

D.B. Van Liere, vice president, Engleson and Van Liere, Inc., Wolcott, N.Y., offers: "We're fast becoming a nation of moral degenerates. As long as we cannot adequately discipline ourselves there should be laws to protect us—particularly the young and easily impressed."

A similar point is made by Hal D. Baker, president, Industrial Electric Construction Co., Aurora, Colo. "The effect of many programs on children as well as adults is well evidenced by our country's moral decay," he says.

Charles A. Downing, vice president, Amerco, Phoenix, Ariz., is convinced morality cannot be legislated. He says: "Each person should decide what stimuli he and his children should receive; not those who would decide for him."

Bo Cook, vice president, Louis Benito Advertising, Tampa, Fla.,

says television owes the American public more than escapism and fantasy entertainment. He adds: "The medium must reflect current topics or it loses its relevance."

"Each year we are being exposed to more of this type of raw television and unless it is stopped by law it will become worse," J.K. Shaffer, president, Atlas, Inc., Bismarck, N. Dak., asserts. "I believe it's the silent majority accepting what the loud minority is pushing onto us."

Edgar W. Meinhardt, president, Meinhardt Building Co., Inc., St. Louis, Mo., writes: "Unlike the so-called adult movies which require going outside the home, television enters our home as a guest. Plots which cannot remain outside the bathroom and bedroom are unsuitable for general audiences."

John F. O'Neill, president, Lincoln Mutual Life Insurance Co., Lincoln, Nebr., notes: "If my family or I want to view some of the garbage available in current motion pictures we can go to the movie house. But I don't want it in my living room."

"The permissive attitude of the public has certainly permeated the TV media and some type of guidance is needed," A.A. McCue, president, Minnesota-Wisconsin Truck Lines, Inc., St. Paul, Minn., writes. "It seems to me that stuff that comes into our living rooms now is of the type you would have had to go to a burlesque theater to see and hear in years past."

J.D. Hallahan, special assistant for planning, The Atchison, Topeka & Santa Fe Railway System, Chicago, Ill., suggests: "It might be better if parents started paying more attention to what their children are doing instead of expecting everyone to pay the price of extreme censorship."




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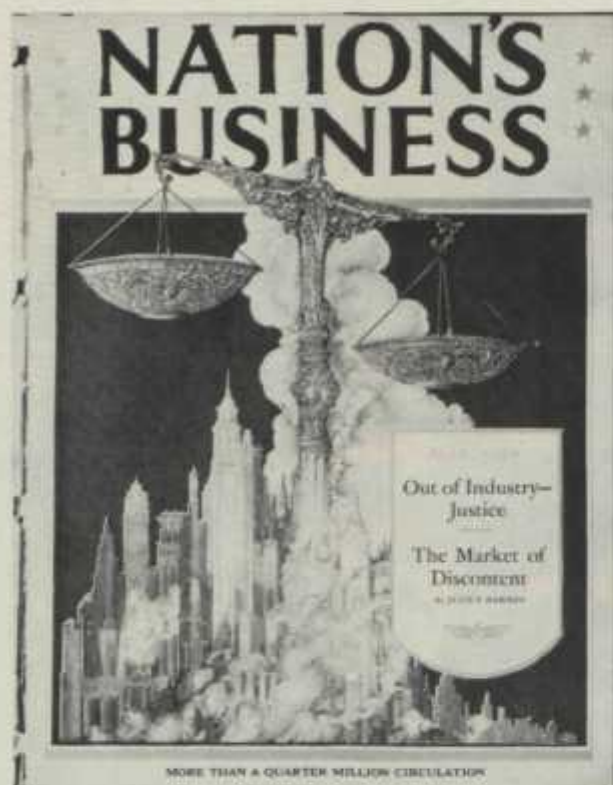
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# The Past Is Prologue

## Forty-five years ago in Nation's Business

(established 1912)



A cartoon shows Uncle Sam—pipe clenched in his teeth, aproned and wearing a chef's hat—vigorously stirring a sloshing, bubbling pot labeled "Muscle Shoals fertilizer scheme."

Another pot called "shipping business" is spilling its contents on the stove amid clouds of steam and confusion. Good old Uncle is labeled "government ownership," and the caption under the cartoon reads: "Too Much Cook Spoils the Broths."

The cartoon appeared in the NATION'S BUSINESS issue of May, 1928. Imagine what a field day that cartoonist could have today. Government is one of the United States' fastest growing activities, currently employing about one in six Americans. That 1928 pot tender could be portrayed in 1973 as the manager of a mass production soup factory.

Things were bubbling in that effervescent May of 45 springs ago. Business was in high gear, rolling toward the end of a rosy period of expansion and prosperity. The dark October days of the stock market crash that signaled the demise of the Roaring Twenties' euphoria and the birth of the Depression was a year and a half in the future.

There were, however, some thoughtful appraisals of the direction of the economy in NATION'S BUSINESS. Julius H. Barnes, president of Barnes-Ames Co., wrote in an article entitled "The Market of Discontent" that the Industrial Revolution had entered a "new and complex phase." He said: "We are seeing an economic evolution, a development of a quality market. . . . We can make people not merely want more things, but better things."

Ten leading executives in the comparatively new chain store field got together to defend themselves against charges that they took money from communities without returning an equivalent, and that they weren't community-minded.

Secretary of the Interior Hubert Work (a smashing name for that golden age of business) took a practical look at the nation's natural resources. "The time has come when we must invoice our resources and determine how we should proceed from here," he wrote. Secretary Work also noted: "Practical conservation is intelligent use of the endowments of nature."

Raymond Willoughby, a NATION'S BUSINESS staffer, wrote about the infant airline business. "Business has accepted flying—flying has become businesslike," the article said. "Life insurance companies are now issuing policies to cover air pilots and passengers."

As in all long-term stretches of prosperity, some slackness had crept in. Dr. Julius Klein, director of the United States Bureau of Foreign and Domestic Commerce, estimated American business wasted \$8 billion annually in physical handling, buying and advertising. "The businessman who will make money . . . is the man who goes farthest in routing out wastes in distribution," he wrote.

*How*

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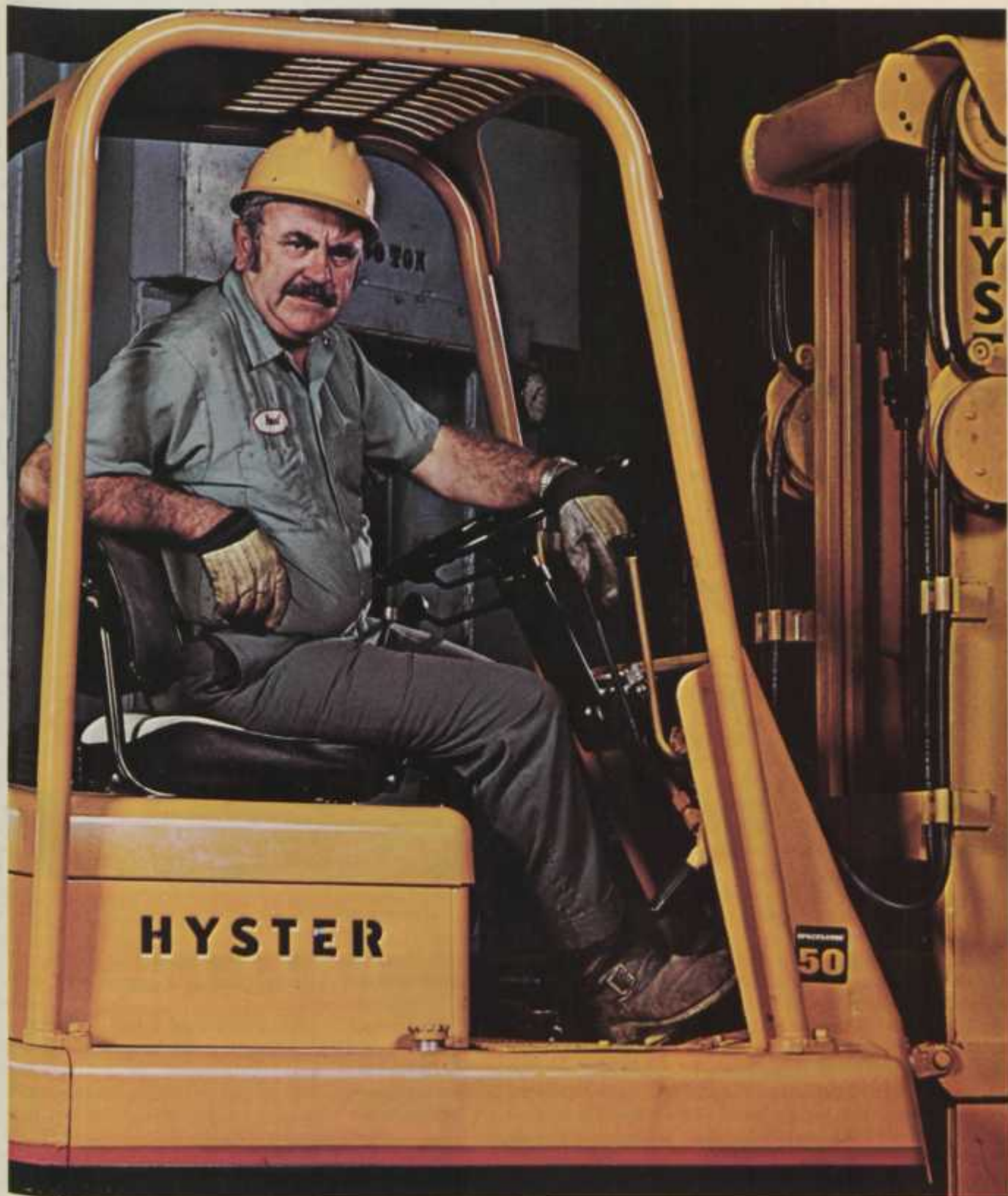
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## WHITE HOUSE VIEW: Cut Spending —or Else

INTERVIEW WITH  
JOHN D. EHRLICHMAN  
Assistant to the President

11 x 14 color print  
sent to the White House



PHOTO: TUCCHI/SHANKS

— May. sent 5-1-73

Hold the line on spending—or raise taxes, or borrow money and feed inflation. There's no alternative.

This, in brief, is the philosophy of the Nixon Administration in its current battle of the budget with Congress.

A highly influential advocate of holding the line is John D. Ehrlichman, the 48-year-old Seattle lawyer who is President Nixon's chief assistant for domestic affairs.

He is a self-styled "kind of a negative gate" for the President, a man who asks the pointed questions he knows the President will ask about proposals from his Cabinet and other advisers, and who makes sure there are answers before Mr. Nixon asks them.

The President's requested spending ceiling of \$269 billion for fiscal 1974 is up considerably from this

year's budget, and Mr. Ehrlichman says it is a ceiling the President feels Congress must abide by if inflation is to be curbed and the economy kept strong.

Much of the Administration's battle with Congress is over program cuts which it says are necessary to maintain that ceiling.

A graduate of UCLA and Stanford, Mr. Ehrlichman has long been a key figure in the President's inner circle. In the 1968 campaign he was one of the men who made things work—the tour director. He was given a similar job when Mr. Nixon moved into the White House—making things work.

Domestic affairs have been his forte and he was the first director of Mr. Nixon's Domestic Council. With the half-glasses which he usually

wears for reading sliding slightly, he attacks mounds of paper work each day.

It's a day that usually begins at 7 a.m. with a meeting of his immediate staff, before an 8:15 conference of senior White House staff: Foreign affairs adviser Henry Kissinger; Presidential Assistant H. R. "Bob" Haldeman, who chairs the meeting; budget director Roy Ash; Press Secretary Ron Ziegler; Congressional liaison man William Timmons and Treasury Secretary George Shultz, who heads the President's Council on Economic Policy.

Mr. Ehrlichman stays late in his tasteful second floor White House office and takes a bulging briefcase home each night.

In this interview with NATION'S BUSINESS, he talks about the battle



of the budget and related issues, the Administration's belief that the election gave the President a mandate to change course in the role government plays in the people's lives and the long-range blueprint for the nation the President aims to set.

**How strong is President Nixon's determination to avoid a tax increase by holding the line on spending?**

Rock solid. I don't know of any operating directive he has given that is firmer than that one.

**What would be the results of the alternatives being advanced in Congress and elsewhere?**

Overspending, which would mean higher taxes or borrowing money. We just don't know of any other way they can make it come out.

**What is the businessman's stake in the outcome of this battle of the budget?**

If we get into overspending and the choice is to borrow money, the government would have to go into the market to borrow large amounts of dollars. When the government does that, as we saw back in 1967 and 1968, you can throw the economy into a real tailspin. It results in higher money costs and inflation. It results in the kind of economic dislocation we saw in 1969, 1970 and the early part of 1971.

Every businessman has a stake in avoiding that kind of situation.

If the choice were to increase taxes, the alternatives then would be whether to get more from individuals or from business. These days, the average citizen, as an individual, is taxed about as heavily as he is going to stand for. So the businessman is a logical target for any tax increase. It's much easier for Congress to levy a tax on business than on individuals. We've seen over the last several years a steady decrease in individual income tax, but at the same time we've seen an increase in the tax on corporations.

I think we have to be realistic about it. If there ever is a tax increase, the line of least resistance runs directly to the corporate taxpayer's pocket.

**Then it's the White House view that**

**overspending would feed inflation, while controlling spending is the best way to lick inflation?**

That's right, that's the main chance.

**Many people are still concerned about growing inflation under Phase III. What is the Administration stand?**

We're adhering to our goal of reaching a 2½ per cent rate of inflation. I think you can expect the Administration to continue to persevere. We're going to do everything we can to convince people that we mean business in Phase III.

Looking back on this year, historians will be able to say the President never wavered, and didn't permit anybody to wonder where his commitment was in all this.

**Do you feel the transition from Phase II to Phase III might have been handled differently?**

I just don't know the answer to that. I think, from a hindsight standpoint, we did not do a very good job of explaining Phase III. How we might have done it better—I just haven't thought about it enough.

**There was a time, wasn't there, when there was a widespread feeling that all controls had been taken off?**

Yes, that's right. I suppose it would have been better to call it Phase II-A and have everybody understand that we were still in the Phase II mode but with a slightly different approach.

**Some Wall Street analysts contend that the stock market's recent weakness reflects uncertainty over the success of your anti-inflation moves.**

I don't think the stock market is really a very reliable barometer of businessman confidence, though I am certainly no student of the market. It's a much more volatile barometer than we should rely on.

**Congressional opponents of spending restraints say the money for expanding social programs can be obtained by "plugging loopholes" in the tax laws. What do you tell them?**

It's an illusory kind of argument, usually employed by people who are basically income redistributionists

by philosophy. That approach would involve the dismantling of a tax incentive system that has been rather carefully constructed over a period of years to bring about certain recognizable social ends.

To achieve certain ends, we give credits and deductions as incentives to people who are willing to do certain kinds of things.

Now it's totally simplistic to say that if we do away with all those credits and deductions, we raise a lot more money to pay for community action agencies or something. Our position is that each one of those ends ought to be subject to examination for their validity at all times. But we should recognize that what we are doing is examining the public policy involved in creating that incentive, rather than simply engaging in a revenue-sharing exercise.

The way we could really raise revenues is to do away with all kinds of individual exemptions and deductions and credits. We don't think that should be done, but that's the way to do it if your objective is simply to raise revenue.

On the other hand, if some people object to the idea that a businessman ought to be able to deduct business expenses, or get a tax credit, for doing certain things in the conduct of his business, let's be frank about it. Let's look at the public policy involved and debate that issue, but let's not try to dress that wolf in sheep's clothing by saying we are doing this to raise money for social ends.

**Do we need substantial additional tax income in any event?**

We are spending a quarter of a trillion dollars in this federal budget of ours. This Administration is just not willing to believe that amount of money cannot buy all the necessary services that the federal government should be providing.

Many Congressmen, many Senators, have never gotten used to the necessity of sometimes saying No and are in the habit of voting Yes on every appropriation. We're past the point in this country where we can vote Yes on every appropriation. We've got to be discriminating. But



## Cut Spending—or Else *continued*

if we husband our resources, we have plenty of revenue under the existing tax structure to do everything necessary for the well-being of our citizens.

**At one point the President was considering recommending a value-added tax, but he decided against it. What's its status now?**

The value-added tax is on the shelf for the foreseeable future. The President remains convinced it is a useful and viable alternative to some of the present revenue-raising measures but he's decided that, for the time being, he will not propose it.

**Isn't it true he feels the VAT would generate so much money—\$6 billion for every 1 per cent—that it could lead to a spending spree in Congress?**

That's part of it. Once enacted, it would be very hard to get concomitant reductions on other taxes, which should be linked to it.

**Some contend the Defense Department budget should be cut rather than any of the social programs.**

The President has begun to speak out on this issue and you'll hear more from him, I'm sure. He points

out that we are coming into an era of negotiation. We have the Mutual Balanced Force Reduction talks; we have the Strategic Arms Limitation Treaty and our current efforts to improve it; we have a Russian summit coming. We have a number of other negotiations.

In order for us to have negotiated successfully over the last four years—and we have, as I think every historian will agree—we had to start from a position of strength, both military and economic.

Nothing has changed. The message the American people sent in the November election was that they agreed with that approach, and they haven't changed since November.

The only thing that's changed is that a few fellows haven't heard that message and they continue to peck away at the very unrealistic line that the way you bring about peace in the world is to lay down your weapons, take off all your clothes and run out into the sunshine with your arms over your head.

That isn't the way one negotiates in the real world. The President has pointed out, and will continue to point out, the importance of maintaining a proper level of defense and

a proper level of economic strength. It's part of an entire strategy.

**Then you see this controversy over priorities as a continuation of the election debate over which way to go?**

That's correct. The new American minority dies very hard. We got a new American majority in the last election. We also got a new minority and they haven't given up.

In effect, they are trying to steal that election in Congress, by pushing for policies the American people rejected at the polls. I think it's going to take a couple of elections to convince them they are badly out of phase with the people.

**Do you see a political risk in cutting some programs? Will this pose problems in the '74 Congressional races?**

Undoubtedly. One of the problems in 1974 will be for those Congressmen who vote with the President to explain why they voted against veterans' bills, why they voted against vocational rehabilitation.

My word, who could be against vocational rehabilitation? The answer to that is: Only somebody who cares more about the long-range interests of the United States and its

## Working for Nixon: "You're an Independent Contractor..."

What's it like to have the President of the United States for your immediate boss?

How do you manage your days and duties when you are one of a handful of key people on whom the President relies for the day-to-day operation of his office?

As President Nixon's chief assistant for domestic affairs, John D. Ehrlichman is in the best possible position to answer both questions.

Mr. Ehrlichman says the President

"is as nice a person as I've ever worked with in terms of the conduct of business.

"I had 20 years' experience practicing law and had been sort of my own boss. Coming here, I was very skeptical of my ability to work for somebody else, because I just had never been in that situation.

"But we have almost a partnership relationship among the White House staff and the President.

"He treats us as peers in the sense of sharing views, of sharing work loads, that kind of thing. He delegates and he does it well in the sense that you don't get picked to death in the prosecution of the work. He's interested in the product much more than he is in the process.

"So it's a very happy relationship from that standpoint. You can take a piece of work, follow your own conception of how it ought to be done, and then bring it back to him for ap-

proval. You're an independent contractor so to speak. I don't know if everybody would like that system but it's one that appeals to me."

Is there ever any doubt, though, about who's boss?

"No," says Mr. Ehrlichman with emphasis, "there's no confusion about that."

As for his specific duties, the Presidential assistant sees himself as "kind of a negative gate."

"Ordinarily, I don't make decisions," he explains. "I review the material that is destined for the President on domestic issues and many times I will return it, without referring it to him, for additional work.

"I'll try to ask the questions he might ask that haven't been answered. I'll try to get the quality of the work up if it isn't adequate in my opinion. I'll try to anticipate problems.

"For instance, something will come in and I will notice that the Veterans



economy. And that answer somehow has to be gotten across.

I think you'll find the Administration leaving no stone unturned to help those Congressmen who stand loyally with the President in this fight. This matter of restraining spending will, I foresee, be one of the central issues of the 1974 campaign.

**Is this spending debate between the President and Congress over a specific set of figures, or is it more a matter of basic fiscal policy?**

It's both. The President tried very diligently to get the last Congress to adopt a spending ceiling. While both houses more or less agreed with the concept, they couldn't get together on agreed legislation. We started fresh in this Congress with an initial controversy over whether or not there should even be a spending limit.

Now we have again seen a tacit concession in Congress to the concept of a spending limit. It seems that's the first hurdle you have to get over each time. Then you get to the secondary question of what the money should be spent for, the specific figures.

There's an important footnote

here, I think. It really isn't enough for Congress to agree on a spending limitation in implicit terms. There has to be some explicit machinery for staying within the agreed maximum, and that we don't yet see in Congress.

**Wouldn't some of the budget cuts be replaced by the special revenue-sharing program the President has proposed to Congress?**

Special revenue-sharing is more of a transfer than a cut.

It involves taking federal money that is now going into a number of narrowly defined, categorical grant programs at the state and local level, with all the attendant federal red tape, and sending it to the communities wholesale.

They could use it in broadly defined areas, such as community development, without having to put up matching funds and free of filing applications, federal review and all that kind of thing.

We think there would be savings at the federal end because of the reduction in federal overhead, but that's not a cut in the sense of abolishing programs.

**Many mayors and governors are com-**

**plaining pretty loudly that there would in fact be a cutback in the shift to special revenue-sharing.**

When you really get down to cases and sharpen the pencils of those gentlemen, you can demonstrate to them that that is not the case.

Number one, as many dollars would flow to them as before.

Number two, they would be relieved of the obligation of finding matching funds, which is really a hidden tax on local revenues. They wouldn't have to buy federal dollars with local dollars anymore.

And we've been able to show them in individual instances that the revenue-sharing money would flow sooner and faster than the dollars they would get out of categorical grant programs because of the red tape.

They would have broad discretion on how the special revenue-sharing money is to be spent in the areas of education, community development, manpower training and law enforcement-criminal justice.

**They would have to make the decisions on where the money is spent, wouldn't they? And perhaps some really don't want to make those decisions?**

Administration hasn't signed off on it. I'll ask: 'Why weren't they consulted? Don't you think they should be?' So I'll pick up the phone and call [VA Administrator] Donald Johnson and say: 'Don, I've got this thing here for the President. I wonder if you want to have a crack at it before it goes in.' So I do a kind of final review of that sort. Occasionally, where I have some independent knowledge of a subject, I might add something to it, but that would be the exception rather than the rule."

In the operation of his own office, close to the President's in the West Wing of the White House, long days and "a couple of very good helpers" are the keys to a successful operation.

Tod Hullin, his own No. 1 assistant, and Jana Hruska, his secretary, "are superb and they take an awful lot of the load," Mr. Ehrlichman says. As for the workday itself:

"We try to get our meetings out of

the way around here as early in the day as possible, so we start at 7 in the morning, when I meet with my immediate staff. Then the senior staff of the White House meets at 8:15. By 9 we are pretty well clear of meetings. That clears my decks then for the day's activities.

"Tod organizes my written material and we try to clean our desks off every night before I go home. He'll come at me around 5 in the afternoon with the day's accumulation of paper and we'll dispose of personal correspondence, the action items, and then I'll do reading here as late as I can stay. I'll take whatever reading remains home with me so I can start the next day as clear of carry-over work as possible."

Mr. Ehrlichman's role changed from the first to the second Nixon Administration to the extent that he is no longer responsible for the nuts-and-bolts affairs of the Domestic Council

and now is able to give more time to going into major issues, like the energy problem, in depth.

Mr. Ehrlichman and other top White House officials are very much aware they are operating within a fixed time frame.

At the first Cabinet meeting of the new term, he recalls, President Nixon gave each of the Department heads and his own top staff members a date book in which each day shows the number of days remaining in the second term—dropping off to 0 days on Jan. 19, 1977, the day before Mr. Nixon's successor will be inaugurated.

Asked if the daily time-flies reminder ever gives White House people the feeling they are not running fast enough, Mr. Ehrlichman replies:

"It gives you that feeling and it also gives you the feeling that, when you start something, you'd better figure out how to get it done within that period of time."





*John D. Ehrlichman likes to have the answers to questions he knows the President will ask at meetings such as this one with Treasury Secretary George Shultz (center) in the White House Oval Office.*

## Cut Spending—or Else *continued*

I think there is a realization on the part of some local government people that certain disadvantages would accrue from the transfer of responsibility to their units of government. And that accounts for a certain amount of crankiness, I think.

Our strategy in this, of course, is to move these decisions to the level of government where people can more easily get at the decision-making.

I defy you to find the people in the federal government who make the decisions on the allocation of Model Cities' money, for example. They are hidden in the bowels of these big buildings around here.

But you know where you can find your local town councilman or county supervisor. You can walk in and you don't need a fancy appointment and a lawyer to represent you.

We think that's where more and more decisions ought to be made. Now, obviously, certain kinds of decisions can't be made at the local level. What we are talking about represents only 100 categorical programs out of a possible 1,400 that the federal government has in operation.

All the shouting is really about a very, very small percentage of federal activity.

### **How did you select the ones you did for transfer to local governments?**

The leading criterion was whether the function involved could just as well be performed at the local level as at the federal level. We have people in the federal government who pass on sewer and water line applications, who decide how the lateral connections ought to be laid in your town's streets though they've never seen your town. All they are working from is a set of charts.

My town engineer can decide a whole lot better how the sewer lines ought to be laid in the street in front of my house than some fellow sitting here with a black notebook at the Department of Housing and Urban Development.

### **How did the federal government's financial problems develop to the point where the President has to make such an all-out effort to hold down spending?**

It's not something that happens in a moment.

When Congress passes a law, there frequently are what we call out-year ramifications: In the first year it only costs \$100 million, say, and that is usually for planning and organization by the states and localities.

In the second year, some of those plans start to come in for approval

and the cost goes up to \$500 million.

Then in the third and fourth years, you get into full swing, and you are up to the billions.

### **Why does that happen?**

Perhaps because of expanded eligibility for benefits or because the bill itself has provisions for a progressive federal involvement, as in water quality control, for instance.

### **Can't you just cut off the spending?**

We call the third year money "uncontrollable," in the sense that the federal government committed itself in the first year for the program, and is locked into that third-year money.

Now, we are at the point where well over 60 per cent of the federal budget falls in the category of "uncontrollable," and expenditures have been steadily upward within those items.

The consequence is that the President in his budget-making role has a shrinking capacity to affect the level of expenditure of the federal government.

More and more, he must caution Congress during the appropriations process to think about the out-years.

### **What's the outlook for the immediate future?**





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One reason that we are continually talking about the 1974-75 fiscal year in our admonitions to the Congress is that we are trying to look at the budget picture in terms of a three-year span and a five-year span to show why restraint is needed on spending.

It sneaks up on you if you don't do this sort of thing. Restraint in this fiscal year affects outlays in the 1975 fiscal year. It's again a matter of keeping your eye on the out-year implications.

**Is this problem a basic failure of the Congressional machinery, or one of ideological differences between the Administration and Congress?**

It must relate to the machinery. Only one budget proposal at a time is considered by the appropriations subcommittees. No one in Congress is looking either at the overall immediate impact or the overall out-year impact for the future. There just isn't anybody in Congress charged with that responsibility.

And so, it isn't anybody's fault in the sense that he's not discharging an obligation. The President is the only one in the whole federal structure who has that obligation; and that's the reason he speaks out as forcefully as he can on this subject.

**There are complaints that, in this interlocking economy of ours, proposed spending reductions in some areas could have adverse effects in others—that if you cut back on farm programs, for example, you don't sell tractors. What is your view?**

The cuts the President has proposed have, in the main, been in areas where the economy is strong, like farming is now, and have been designed to avoid serious economic debilitation.

In the farm support program, for instance, reductions have been planned over a period of four years, to give farmers an opportunity to get their new economic legs under them. We don't want to knock the props out all of a sudden.

A different class of cut is involved in getting rid of programs that just aren't working, or are no longer needed, and involve significant amounts of money—like the Hill-

Burton Act to assist hospital construction and the Rural Environmental Assistance Program. There's no longer an economic justification for their continuance and discontinuing them will not bring about a serious economic dislocation.

We hope we've been intelligent in the way we've assembled the proposals for cutting back.

**The Administration has been charged with taking a meat-ax approach in getting rid of social programs simply for the sake of saving money and without regard to results of those programs. How were those decisions made?**

The process on this project was as follows:

Late last summer, the President outlined his objectives to Caspar Weinberger and myself. Mr. Weinberger, who at the time was director of the Office of Management and Budget [he's now Secretary of Health, Education and Welfare], was completing his spring review findings, which included an analysis of possible budget cuts, and possible immediate discontinuance or phasing out of programs.

The President said: "All right, if I'm reelected, here are the things that I want to do, generally. This is the direction that I want to take."

The OMB list was very, very long and cut very, very deep.

We formed a review committee to go over it. The members were Secretary of the Treasury Shultz, Kenneth Cole, then deputy director of the Domestic Council [he's now its director]; Herbert Stein, the chairman of the Council of Economic Advisers; Mr. Weinberger; eventually Roy Ash, after he was chosen but before he actually took over as head of OMB; and myself. OMB staff people also participated.

We went into the proposals for cutbacks one by one far into the night over a considerable period of time, both before and after the election. We eliminated many proposals we felt were either economically disruptive or politically impossible or impractical for one reason or another. Where there was a policy question involved, as to whether the federal government ought to go this way or that way on a given issue, we cer-

tified these questions for the President's decision.

We reported to him frequently. We spent a number of weekends at Camp David working on this project, and he would come into our meetings and review the progress of the work. Probably, we made referrals to him on decisions 10 different times in the process.

And eventually this process became the warp and woof of the budgetary changes.

**How was a specific decision made? On Hill-Burton, for example.**

The review committee received from OMB a two- or three-page analysis of how Hill-Burton was working. It described the successes of the program in the past, the numbers of dollars that had gone into it, and the present situation as found by OMB on the need for additional hospital facilities.

And it became evident that we had chronic overbuilding in a number of population centers. At the same time, we had some shortages of hospital facilities, but under circumstances and in locations where Hill-Burton probably would not do the job. In other words, it was no longer legislation oriented to any current problem.

We need regional hospital facilities, for instance, in areas with rather sparse population. But, the way the Hill-Burton Act is written, it just isn't in the cards to get Hill-Burton money directed at that need.

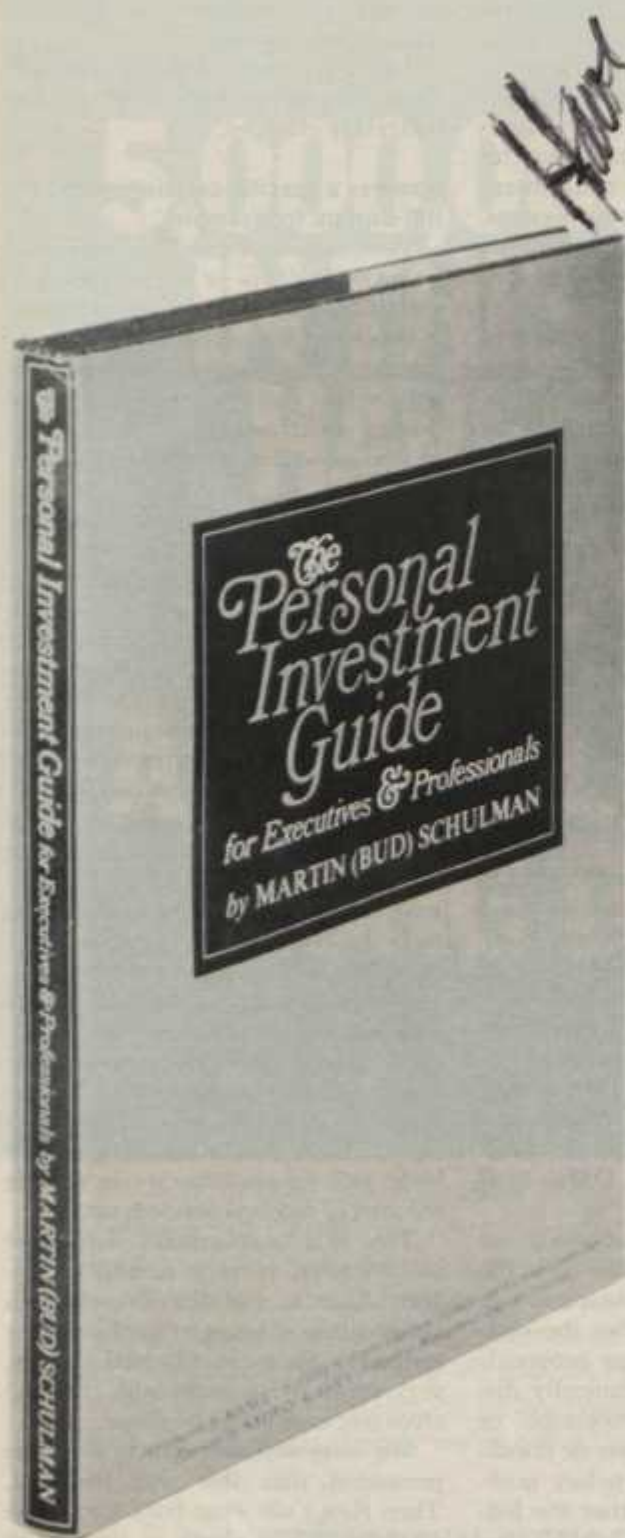
At the same time, we have hospital beds standing vacant in places like Florida and Seattle and Southern California, and these add to the overhead of the hospitals. In the long run, the hospital patient pays the cost of maintaining the empty beds; this excess capacity is driving the cost of medical services up.

This is a "motherhood" issue and we reviewed it very carefully. Nobody likes to put the President in the position of being against building hospitals. So we scrutinized it very, very carefully to make sure that the strongest case could be made.

We were satisfied on the evidence presented that this was the fact. Then Ken Cole went back and made an independent check in the health community to see whether or not the



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Pointers for Progress  
through trade and  
professional associations

## Cut Spending —or Else *continued*

discontinuance of Hill-Burton would seriously disadvantage the delivery of health services. His independent check showed we were on the right track, and we went forward.

Some economists say this country has operated for 40 years with a basic blueprint laid down by Franklin D. Roosevelt, under which authority and responsibility for what had been largely state and local concerns were shifted to Washington. Now, they say, this Administration wants to lay down a blueprint for the next 40 years under which we would go in the opposite direction.

I think that's fair to say. The President has a very good sense of the federal government's role in American society, more than some previous Presidents have had. It's a question of what the government ought to do, as well as how it ought to do it. So he is in the process of advancing proposals leading eventually to a new concept.

We have only some 1,400 days in the second term and he felt it was important to get off to a running start on this project. That's why so many fundamental proposals have been made so early in the term.

The average guy seemingly couldn't care less about some integral parts of your overall economic plan, such as the foreign trade legislation.

We have just gone to Congress with trade legislation, legislation drawn with the average workingman in mind. Somehow or other, we and the American labor movement, the newspapers, the television people, the magazine people, are going to have to try to translate a rather sophisticated concept into everyday, meaningful terms for the average citizen. It's quite a challenge.

If we get a proper trade bill, one which gives the President the authority and discretion he asks for, we think we have a very good chance of creating an entirely new international trading climate that will work to the advantage of the United States without being to the material disadvantage of our trading partners.

We are very hopeful for its success, but communication is certainly an important part of that. **END**



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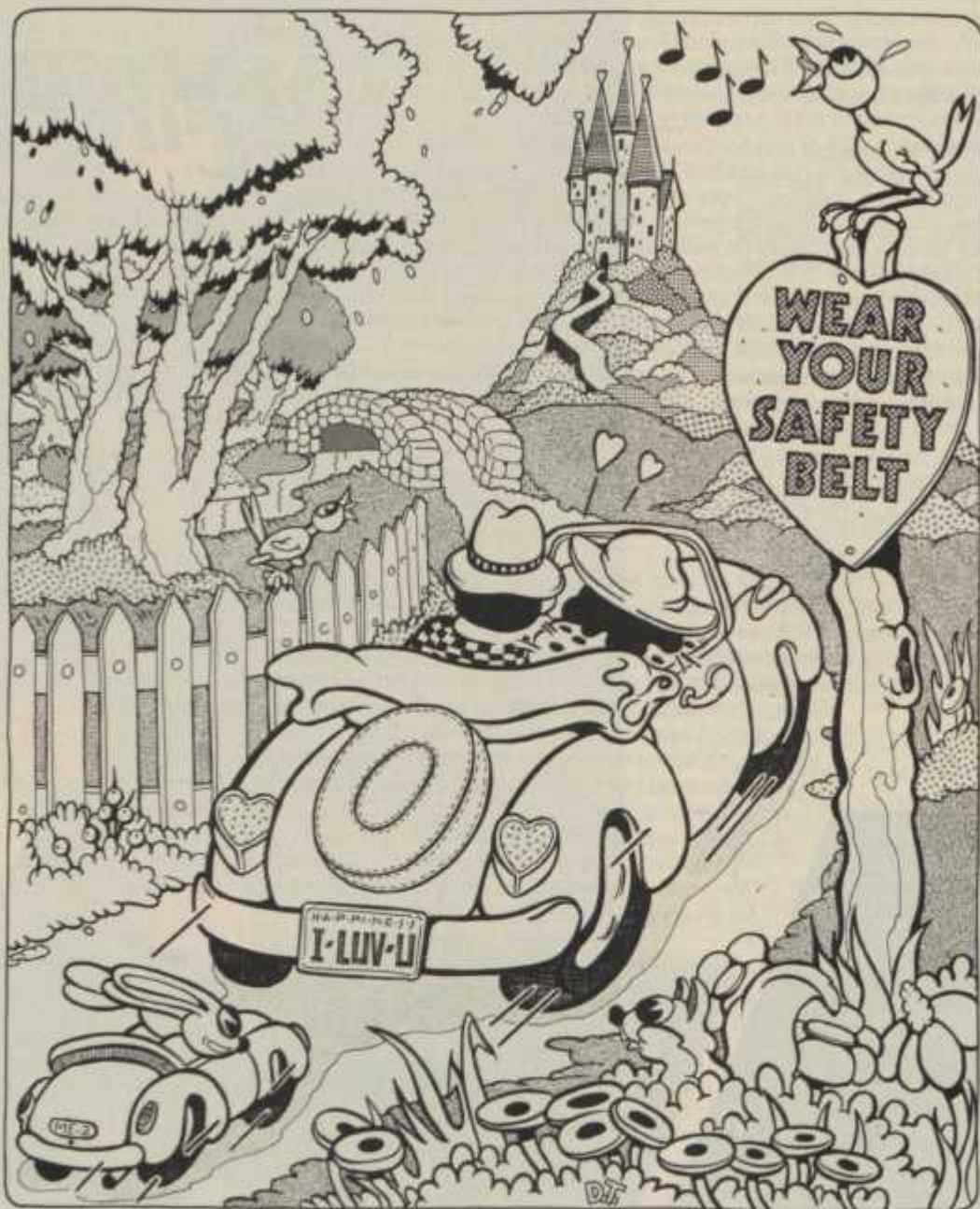
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# How to Become Useless

Does competition bug you? Are you fed up with meeting goals and quotas? Planned personal obsolescence will help you cop out

Businessmen are well aware that technology often makes a product obsolete.

A less palatable fact of life is that people also become obsolete.

Unlike products, of course, people have the ability to combat becoming outmoded. Unfortunately, many of them submit by choice. As a result of their own behavior, or lack of it, they are locked in on a program of planned obsolescence.

You, too, can become personally obsolete. It's easy if you know how.

Here are some tried and true guidelines that are guaranteed to make any executive an outdated antique.

- Never establish goals. Without them you naturally gravitate toward personal obsolescence. After all, if you have personal goals, you start planning and thinking about how to achieve them.

By refusing to think ahead, you avoid the frustration of having to choose between the options that could fulfill a personal goal.

DR. J. RICHARD JONES, author of this article, is associate professor of marketing at the University of Georgia.

How often have you asked yourself, "What do I want to be next year, in five years, and in 10 years?" And further, "What will I need to do to reach those ends?"

If you have seldom or never asked those questions, you are on your way to personal obsolescence without half trying.

- Don't try to understand the company's goals. If you do, you'll then go on to other things, like what the expressed objectives of your department are, and before you know it, you will be trying to figure out where you fit in the scheme of things and what you might do to be highly rewarded.

This sort of thinking obviously undermines the principle of not setting personal goals. It sets the stage for backsliding, such as speculating on where you stand in the pecking order.

- Avoid developing a managerial philosophy. Whether you are presently a manager, or being considered for such a position, there is no place in your planned obsolescence strategy for a personal managerial philosophy.

The development of a system of ideas or set of values about how to manage others requires some creative and systematic thinking. This, too, is verboten if you're hell-bent for personal obsolescence.

- Don't attempt to improve. Improvement implies goal-seeking, which is alien to your purpose.

There is a real danger in any improvement or uplift efforts, since they may beget advancement.

- Develop an abhorrence toward newness. Keep a closed mind, and you can avoid the strain of mastering new techniques or ideas.

If one method produced the desired result before, it should be clear that it always will. Conversely, if an old idea did not work once, it never will.

- Avoid job changes. This exposes you to new situations and activities. It can lead to aroused awareness and knowledge which will make you think. And that means trouble.

Whether it's a lateral shift from department to department, or a vertical move upwards, avoid it. Learn too much and you'll never become obsolescent.

- Never hire anyone better than yourself. You're inviting trouble if

you surround yourself with the best men you can find. They're usually competitive people with ideas.

Hire talentless yes-men and you won't have to be creative and analytical when approaching business problems.

- Never attend professional meetings, conferences or seminars. Keep from attending meetings designed to advance your knowledge because they lead to thinking, that great saboteur of your planned obsolescence program.

If your boss tells you to go, immediately start figuring how to avoid attending the actual sessions. Perhaps you can obtain enough information to complete the firm's trip report from after-hour bull sessions. If so, look on the trip as a vacation, not a chance to learn.

- Avoid reading. Perusing trade publications, business magazines and scholarly journals is not the way to make yourself obsolete. Once again there's the danger that you'll learn something from them.

Let your subscriptions lapse. This, incidentally, will save money you can use on vacations. If the publication is circulated in your office, keep it moving. Knock your initials off the buck slip and toss the magazine into the "out" basket the instant it hits your "in" basket. Even biography or fiction might teach you something.

The best advice is: Don't read.

Practice makes perfect. If you faithfully follow the guidelines above, you should be obsolete in no time. (And it goes without saying that if you use them antithetically, you can guard against obsolescence.)

One nice thing about your becoming an antique, if you do, is that you won't be lonesome. Management obsolescence is a great problem confronting most companies. So when you're outmoded, too, relax. You'll have plenty of company. **END**

REPRINTS of "How to Become Useless" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



# Blocking Foul Blows From Foreign Firms

Do you have a competitor from abroad whose dumping has you in the dumps? Who is subsidized by his government or infringes on your patents? The U.S. is getting tougher about enforcing laws that will help you

As Congress begins long-range consideration of President Nixon's sweeping proposals to improve the U.S. position in international trade, American businessmen faced with unfair competition from abroad are paying more attention to action their government can already take against the transgressors.

While the President's proposals naturally go beyond unfair business methods used by foreign operators in domestic markets, that issue gets major attention in his recommendations and is of top concern to many American companies, particularly those which must compete with imported products.

Such companies do not maintain that they shouldn't have to meet foreign competitors on an equal basis. But they say they are up against practices alien to the free market system.

Among those practices:

- Dumping, in which foreign goods are sold at lower prices in this country than in the country where they are produced. Foreign interests dump in order to dispose of surpluses, to gain an entry into U.S. markets or even to gain a dominant position here.
- Various subsidies extended by a

foreign country to its producers to enable them to sell more cheaply in the United States but still receive an adequate return.

- Infringing on American patents to produce goods that are sent in to sell in competition with those legitimately made here under the patents. The U.S.-made goods, of course, cost more—if for no other reason than the research and development that went into the patents.

Complaint-filing processes for U.S. companies in such cases have long been in existence [see "Lifelines for Import Victims," *NATION'S BUSINESS*, June, 1971].

Dumping has been the most frequently cited reason for government action.

Invoking the Antidumping Act of 1921, the Treasury Department launched more than 90 investigations between 1968 and 1972, and more than 30 special dumping duties were assessed against foreign imports. Such duties equalize the difference in returns on U.S. and home sales.

More recently, a preliminary finding of dumping was entered in a case involving over \$300 million a year in imported Canadian aluminum ingots, making it the biggest ever dealt with under the Antidumping Act.

A dumping proceeding has two phases. One is a Treasury determination that a foreign producer's return on U.S. sales is less than his return on comparable sales at home—that he is selling to U.S. buyers at

less than "fair value." The second is a Tariff Commission determination that a domestic industry is being, or is likely to be, injured by sales of the imports in question.

When both criteria exist, the Treasury Department may impose an additional, equalizing duty.

U.S. producers concerned over dumping were encouraged by tough Treasury Department decisions last December in three key areas:

1. The number of professional staff members making "fair value" investigations was increased from five to 60, and the Department ordered a speedup in that process, setting a nine-month limit in normal cases. In effect, this means a Tariff Commission determination must come within a year in normal cases, compared to two or three years in the past. The law gives the Commission only three months to act after a Treasury Department determination.
2. A policy was adopted under which prices charged in a third country can be used as a guide when a foreign producer claims the prices he charges in his own country are not so much greater than U.S. prices as they appear.
3. Strict limitations were placed on the previously common practice of settling dumping cases on the basis of voluntary assurances that the dumping would end. Such assurances are now accepted only when the dumping is minimal in relation to total sales of the product involved. A

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case closed by agreement must now be monitored and can be reopened on an expedited basis.

Tariff Commission inquiries into whether a U.S. industry has been injured deal with definitions of industry and indicators of harm. A 1968 Senate inquiry into the proposed International Antidumping Code, which would have required a determination of injury on a nationwide basis, resulted in a reaffirmation of the basic principles of the 1921 Act.

Under those principles, a group of regional producers can be considered an industry. More recent cases involving consumer electronic products and instant potato granules have established that a single product line can be an industry even where the affected U.S. producers are multi-product companies.

#### Criteria of injury

The critical measure of actionable harm has swayed between a *de minimis* test where any market disruption is considered injurious and a more detailed inquiry into the market impact of import sales.

As reflected in determinations against Japanese television tuners and television sets, rapidly growing imports, falling prices and diminished American market shares are likely to sustain injury findings.

However, as demonstrated in recent findings of "no injury" in cases involving Japanese TV tubes and wool fabrics, foreign firms may stave off dumping duties by showing that factors such as changing tastes or U.S. overcapacity explain domestic producers' market difficulties.

Overall, even with the Tariff Commission serving as something of a counterweight to the Treasury, the volume of dumping actions promises to continue unabated. There may be even more ardent pursuit of dumpers if Congress enacts proposals to legislate the *de minimis* injury test and to provide dissatisfied American challengers with a right to court review of refusals to impose dumping duties.

Imposition of additional duties, under Section 303 of the 1930 Tariff Act, to offset foreign government



## Blocking Foul Blows From Foreign Firms *continued*

"bounties" or "grants" to foreign producers has become a subject of hot debate following the Michelin tire decision last January.

In this case, Treasury hit Canadian-made tires with a 6.6 per cent additional duty to offset special incentives offered Michelin's two new Nova Scotia plants by Canadian national and provincial authorities. It was the first time Treasury had retaliated against local benefits that ostensibly were justified by regional development rather than export promotion goals.

Although the Michelin case did involve plants which clearly were producing almost exclusively for the U.S. market, Treasury's action may foretell a shift in the Department's heretofore cautious application of the countervailing duty principle.

A major investigation under way since last May into alleged subsidies to Japanese manufacturers of radios, television sets and phonographs will provide a bellwether of Treasury's attitude. The investigation, triggered by complaints from Magnavox and Zenith, covers a host of typical Japanese government practices including giving favorable tax treatment to export income, export promotion efforts, providing financing assistance and sanctioning coordinated planning. The fact that the complaint was filed almost three years before the formal investigation began reflects the sensitivity of the issue.

On the judicial side, the one attempt by American complainants to secure review of a Treasury refusal to countervail was rejected by the Court of Customs and Patent Appeals in the Hammond Lead case.

However, the Court decided that case on the narrow ground that countervailing duties were quasi-penal impositions rather than tariff classifications and thus could not be reviewed under a tariff classification challenge.

Given the increasing trend toward judicial review of all Executive branch actions, which has been sparked by environmentalists, and the Attorney General's formal opinion that imposition of a countervailing duty cannot be withheld for foreign policy reasons, it is not unlikely that the result of the Ham-

mond Lead case would be reversed in a more ingenious legal proceeding. Anyway, almost every pending trade bill would confer a right to court review of refusals to countervail.

Even more delicate questions of policy are raised under Section 337 of the 1930 Tariff Act, which permits the President to exclude from the United States imports involved in "unfair methods of competition."

Before any such exclusion, the Tariff Commission must determine that the alleged unfair acts have caused or threaten substantial injury to an industry economically and efficiently operated in the United States. But the final and unreviewable decision on exclusion lies with the President, giving this commercial remedy unusual diplomatic importance.

### Back from oblivion

The history of Section 337 actions includes relatively frequent application in the 1930s with strong support from the courts, virtual oblivion from World War II until 1968 and a growing revival of interest and action as the U.S. balance of payments has worsened. With three exclusion orders issued since 1968, the Tariff Commission has created a special section to handle a growing volume of complaints.

In the early cases, the courts opted for a broad interpretation of Section 337 which would have empowered the Commission to recommend exclusion in cases involving the whole range of unfair trade activities which the Federal Trade Commission has attacked in domestic industries. This view was consistent with the Section's legislative history and broad language, and would have forced foreign businesses seeking to penetrate U.S. markets to play by U.S. rules regardless of market practices permitted at home.

The Tariff Commission, however, was never happy with its role as an international FTC (it once asked Congress to give its Section 337 powers to the FTC) and the statute never really got off the ground in the trade practice area. Instead, Section 337 developed almost exclusively to bar products of foreign businesses which had infringed on U.S. patents.

It thus filled a legal vacuum, since foreign infringers are difficult to bring into our courts and foreign infringement of a U.S. process patent is not covered by other U.S. laws. The Tariff Commission also aided U.S. manufacturers by refusing to enter into disputes over the validity of U.S. patents and granting relief whenever infringement was shown. Early cases resulted in exclusion of products ranging from cigaret lighters to synthetic sapphires and rubies.

From World War II until 1968, however, Section 337 produced little action at the Tariff Commission and no Presidential exclusion orders even for patent violations. In 1969 the ice was broken when two U.S. drug companies prevailed against foreign infringements on patents.

Subsequently, exclusion orders have been issued against lightweight luggage and U-seamed panty hose, and Section 337 is again being looked at as a major patent remedy.

In addition, a recent Tariff Commission report on multinational corporations points out "that domestic industries have doubtless been damaged by foreign restrictive business practices such as export cartels. . . . Section 337 is viewed as an effective means of protecting the domestic market against such restrictive practices."

If Section 337 enforcement is broadened, international reaction will almost certainly produce further diplomatic difficulties of the type that arose from a Justice Department attack on the BP-Standard Oil of Ohio merger and a recent court order preventing importation of air-conditioned Volkswagens.

Because a Presidential exclusion order aimed at practices abroad can be so sensitive, consideration of a possible broadening of choices under Section 337 and removing the President from the process may be essential to make 337 effective.

The full arsenal of potential weapons against unfair import practices includes treble damage dumping actions, private antitrust actions and assorted other legal remedies. With no cessation of import growth in sight, these remedies seem likely to become household words in U.S. industry.

END



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# As *Sunset* turns 75, the key word

## Western thought-leaders do some reflecting on it

An anniversary is great. It makes you think ahead.

Just as *Sunset* has shared the life of the West—and helped to shape it—for 75 years, so now are *Sunset*'s people thinking of the challenging future. The West's—and their own.

To highlight this month's 75th Anniversary issue, *Sunset* invited a number of informed and distinguished Westerners to voice their thoughts as this vital region faces the final quarter of the Twentieth Century.

The pictures and quoted excerpts on this page represent only nine of the 24 illustrious spokesmen whose comprehensive statements begin on Page 104 of the May *Sunset*.

We hope that this message, and the Anniversary Issue itself, will express to you *Sunset*'s abiding concern for Western America, its energetic people, and their special way of life.

\*The other 15: Huey Johnson, President, The Trust for Public Land, San Francisco... Eudora Moore, Curator of Design, Pasadena Museum of Modern Art... Ruth Asawa, artist and teacher, San Francisco... Sanford R. Goodkin, building industry adviser, Los Angeles... Ed Williams, environmental planner, San Francisco... A. Starker Leopold, professor of zoology and forestry, University of California, Berkeley... Alice Spalding Bowen, Outdoor Circle, Honolulu... Richard Bull, physical scientist, Rand Corporation, Santa Monica... Mildred Mathias, professor of botany, UCLA... Stephen Kafka, manager, Student Farm Project, University of California, Santa Cruz... Ann Hauberg, cultural park planner, Seattle... Glenn Goodwin, NASA, Mountain View, California... Harvey Manning, author, Issaquah, Washington... Clarence Allen, seismologist, California Institute of Technology, Pasadena... Ellen Stern Harris, California Coastal Zone Conservation Commission, Los Angeles.

"What inducements can we offer... to build around just a portion of the land and leave the rest as open space?"



Governor Ronald Reagan  
California

"Our major industry is tourism, and we have to protect it by keeping our air and water clean."



Governor Mike O'Callaghan  
Nevada

"Alaska could serve as a jumping-off place for thousands of Americans on visits to the Chinese mainland."



Governor William Egan  
Alaska

"We have to be careful not to put too many people in a small area."



Governor Calvin Rampton  
Utah

"We're still young and yeasty enough to save what we've got."



Governor Daniel Evans  
Washington

"Tourism is important to our economy, but we have to watch the numbers game."



Governor Cecil Andrus  
Idaho

"We're facing one of our most important battles—land-use planning and zoning."



Governor Tom McCall  
Oregon

"The Federal Government uses our land-use law as a model."



Governor John A. Burns  
Hawaii

"We are not seeking new people as much as we are seeking to provide... a viable life."



Governor Jack Williams  
Arizona



# for Western America is "change"

## for Sunset's 75th Anniversary issue... May, 1973.



Sunset's first issue,  
May 1898

When Sunset Magazine began, in May, 1898, women wore whalebone corsets, and men, high starched collars and high button shoes.

Fashions (and most other influences) moved East to West.

For several decades now, it has been, for countless ideas, the other way around.

Casual clothes whose ancestors were the blue jeans of California's gold rush are worn from Augusta to Afghanistan.

Outdoor barbecuing, which sprang from the ranches and haciendas of the West, has become a national custom.

In home design, land use, landscaping, state and national parks, freeway planning, innovative foods, recreation—in countless ways—the West has been a trial ground for America.

### Sunset is a natural-born catalyst

Sunset has been, throughout its 75 eventful years, very much a party to, and often the precursor of, this territorial revolution. Actually, Sunset has had three different lives.

It was founded by Southern Pacific Company, a major carrier and economic force in Western America, as a vehicle for promoting the region's tourism and commerce.

Later, it had a short but colorful life as a literary magazine, primarily for Western writers and authors.

In 1928, when acquired by the Lane family, it was transformed into a publication for Westerners only—dedicated to helping them enjoy the uniqueness the West affords—in their homes, their gardens and outdoor living, their foods and entertaining, recreation and travel.



First issue under the  
Lanes, Feb. 1929

It took awhile for this concept to get off the ground, for the Great Depression began in 1929. Men out of work took to selling apples on the streets.

But in 1936, the magazine turned a profit, and, ever since, has been growing with the West (and sometimes faster).

### Sunset is also versatile

Sunset Magazine, even though strictly regional, has a paid circulation today of 1,088,000, and continues to grow faster than the Western population. Its total readership is more than 3,000,000, an adult readership of men and women alike.

But Sunset is more than a monthly magazine. It is also Books, Annual Magazines, and even Films.

While the magazine is regional, Sunset Books are national and international. Currently there are more than 120 titles in print, with more than 5 million copies sold in 1972. Estimated for 1973: 6 million.

Annual Special Interest Magazines (which contain advertising) have been a part of Sunset's repertoire since 1971:

*Western Campsites* is the largest-selling camping publication in the West... *Christmas Ideas and Answers* sold so well in the West in 1971 that it was distributed nationally in 1972, will be again in 1973... *Where to Go Boating in California* is the most complete directory available of boating facilities in California and nearby waters... *Ideas for Improving Your Home*, will be released nationally in September. (Advertising orders accepted until July 1.)

Sunset Films, a young venture, has just completed a three-film series for television, "Great Roads of America," with Andy Griffith as Narrator-Host. Chevrolet Division of General Motors is the sponsor... Sunset welcomes inquiries concerning its audio-visual capabilities.

### We're building on experience

From the tenor of this advertisement, you will gather, and properly so, that Sunset's thrust is to do a better job in the future by building on the rich experience of the past.

Staying on top of new ideas does not necessarily mean tossing out old ways or proven products. Our research, and a continuing dialogue with Sunset readers, are sufficient proof that the life style of a Western family is generally a mixture of old and new.

But changes will come, and Sunset intends to be ready for them. By 1985, for instance, the West's male head-of-household population (age 25-34) will increase more than 90%—far faster than the rest of the U.S.

This rapidly-growing number of Western families will be faced by many problems: energy crises... environment... land planning... people concentrations... mobility... security... style of life.

Sunset, as it has for these many years, will devote its experience, its expertise, and its vital energies to helping people create and preserve here in Western America the qualities of life that make it so distinctive.

If you want an evidence of our optimism, you are invited to come to Menlo Park and visit our enlarged and remodeled publishing headquarters. (Tours are from 9 to 3 weekdays.)

It's just another way of saying "Hello, Tomorrow."

## Sunset

works for the West



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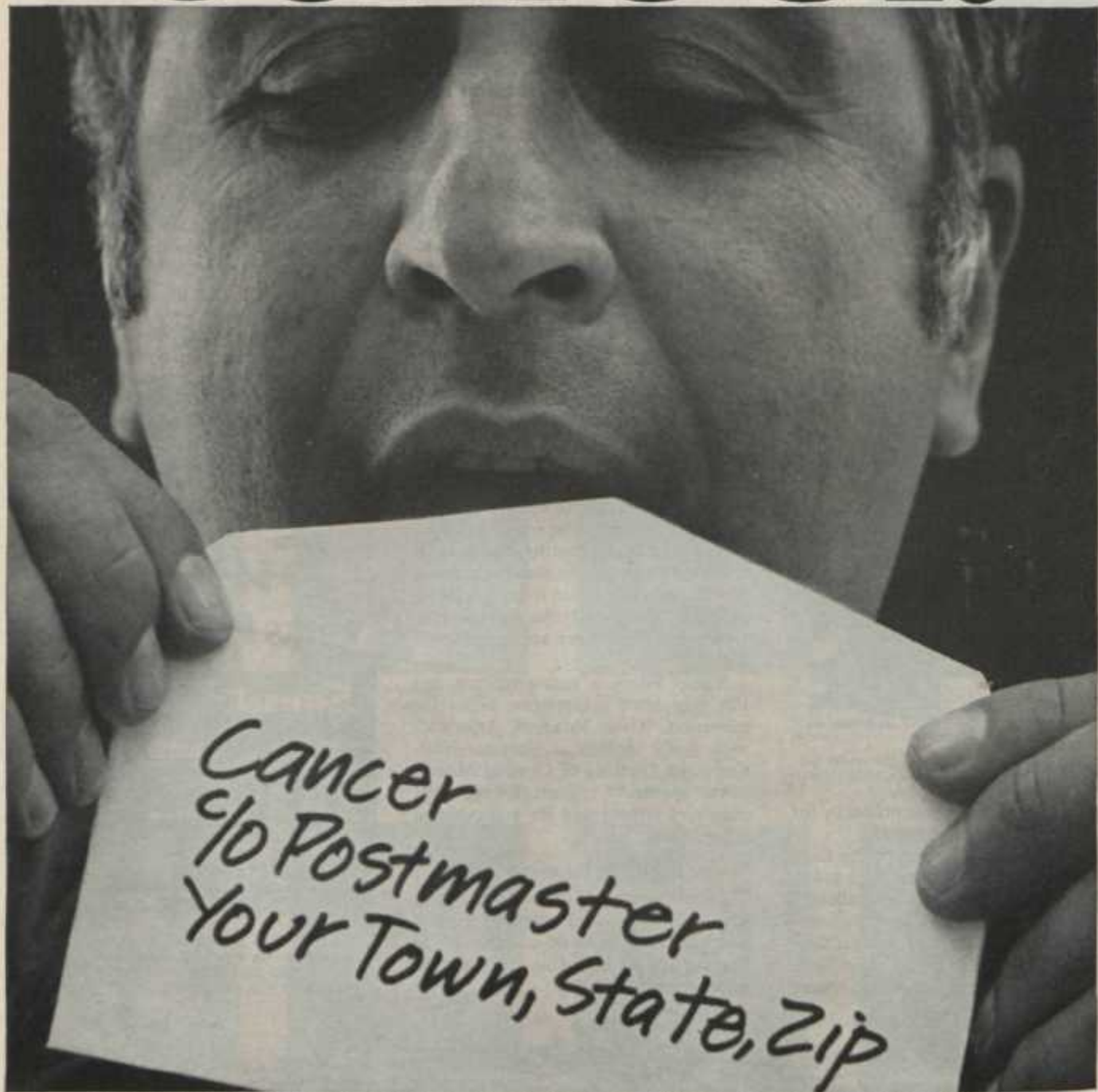


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**DYNAMIC  
GROWTH  
COMPANIES**

# Mazda Motors of America

The engine goes round  
and round, and it  
comes out . . . where?



C.R. Brown and a group of gung-ho associates at Los Angeles-based Mazda Motors of America are chalking up a huge success with rotary engine cars like those behind Mr. Brown above. The company, Japanese-owned, has a Japanese product (though some accessories are U.S.-made, and more may be) but its marketing approach is strictly American.

As sales soar, Dick Brown often works seven days a week—"I may get a cauliflower ear from the phone," he says—but he squeezes in time with his wife and their four children, aged 8 to 14. The Browns live in the Bixby Hills section of Long Beach, Calif.



May sent 5-1-73

PHOTO: KYLE DANIELS—BLACK STAR

all photos are filed under C. R. Brown

photos





Mazda is busy introducing mechanics to its new engine, spreading knowledge both among its dealers and unaffiliated repairmen. The firm is limiting the number of its dealerships. Below: Mazda's William M. Shaw (left) visits one.



"Everyone around here," says a young executive at Mazda Motors of America, Inc., "feels like he's with Henry Ford at the turn of the century."

Whether Mazda Motors, the U.S. arm of a Japanese auto and truck manufacturer named Toyo Kogyo Co., Ltd., has anything like the impact of Mr. Ford and his company remains to be seen.

But, propelled by a rotary engine and by aggressive management, it is making a dramatic climb in the sales charts with its subcompact-sized autos.

In 1970, Mazdas sold in this country added up to 2,098. In 1971, sales were 20,472. Last year, they were 57,850. They are running at a 120,000 rate this year. (The figures include trucks, but more than 90 per cent are passenger cars.)

C.R. "Dick" Brown, Mazda Motors' general manager, predicts sales will be in the neighborhood of 350,000 in 1975. The company goal for that year, he says, is 3 per cent of total auto industry sales, or 10 per cent of imports, in the U.S.—which ever is greater. And he dreams of even more opulent figures later on.

How has the company traveled so far toward so glowing a future so fast?

The answer must start with Felix Wankel, a German engineer who in the 1920s began investigating the possibility of a rotary engine which would have fewer moving parts than the conventional piston engine and would bestow resulting benefits.

Ultimately, a company called NSU Motorenwerke AG teamed up with Dr. Wankel, and a workable Wankel engine finally was produced late in the 1950s.

Hiroshima-based Toyo Kogyo (the name means "Oriental Industries") signed a licensing agreement with NSU in 1961. After six years of research and testing—it has more than 200 subpatents on the Wankel—Toyo Kogyo introduced a rotary engine car.

The engine, Mazda men say, has three basic internal moving parts



## Mazda Motors *continued*

compared to 166 in a typical six-cylinder piston engine. It is only two thirds the size and weight of a piston engine putting out the same horsepower—cutting costs and at the same time providing more leeway for equipment to reduce exhaust emissions. (Mazda Motors can already meet the U.S. government's 1975 emission standards which recently were postponed until 1976 for all states except California. Manufacturers of U.S. cars haven't, so far.)

In addition, there is an unusually smooth, quiet, power-filled ride.

Rotary engines are not without disadvantages, and some auto men like to pooh-pooh their prospects. But Dick Brown insists that in 1980 more than three quarters of all cars sold in the U.S. will be Wankel-powered.

Curtiss-Wright has U.S. licensing rights, and General Motors is paying \$50 million so it can produce a Wankel engine—it's expected to begin some production for its Vega in another year. Other U.S. manufacturers also are due to appear in the Wankel picture.

Meanwhile, Mazda Motors (that's pronounced "Mahzda"—it's a shortening of Matsuda, the family name of Toyo Kogyo's current president and of his predecessor) has a wide, open road. It is moving so rapidly on that road not only because of its product but because of what it is doing to sell the product.

Toyo Kogyo entered the U.S. market in 1970, setting up four regional distributorships. Sales efforts were low-key. Then, late that year, Dick Brown was hired to run Mazda Motors, a California-headquartered firm that would combine the regional set-ups and form a national organization with real pizzazz.

Mr. Brown, now 40, was an auto man through and through. A native of Detroit, son of an auto assembly line worker, he worked on the line himself, later sold cars, and—after a stint in the military and graduation from Michigan State University—spent 12 years with Chrysler Corp., holding varying executive jobs. Then he became American Motors' director of sales and marketing for Canada.

When he joined Mazda Motors, he recalls, the company consisted of five



Jiro Morikawa, 47, president of Mazda Motors of America, acts as liaison with the parent company in Japan. Here, he's at a dealers' meeting with one of the U.S. firm's service officials, Damon Barnett.

Japanese; a temporary, bilingual secretary; rented desks and a couple of rented typewriters; and four cars available for demonstrations. Quarters were a warehouse in Los Angeles' Compton area.

"One of the first things I did was hire a secretary," he says. "I didn't have an application form for her. I didn't even have a business card."

Another early action was to hire William M. Shaw, 32, who had worked under him at Chrysler and is now his executive assistant. Bill Shaw remembers that in February, 1971, when the company moved to its present larger—and less-Spartan—quarters a few miles away, "everything we had was carried in a station wagon and two cars."

From the start, Dick Brown felt the key to success was getting the right people—executives for the company and dealers to handle its product.

He got high-caliber executives, men already working for U.S. auto companies, "by setting high standards of professionalism," he says. And by telling them "what I had told myself when I agreed to take this job—that here was a once-in-a-lifetime chance to be part of forming, from the ground up, a company that would be an important factor in the auto industry."

Some of them took pay cuts to come to Mazda Motors.

The company's management is ridiculously small compared to similar firms—the headquarters staff, exclusive of secretaries, totals only about 40. But it does a prodigious amount of work. Lunches often are skipped. Lights burn on into the night.

Says one executive: "The only

time you find yourself watching the clock is when a staff meeting is to start at 8 a.m. and you want to make sure you get there ahead of time."

"Dick Brown brings things out of you that you don't know you're capable of," says another. "He's a very demanding guy."

"People like to have more work than they can do," Mr. Brown says. "That goes for all employees. We have a good amount of discipline here. The pacification approach to employees creates problems rather than solving them."

"But we also like to have everyone feel involved, in a pleasant way. Each time we break a sales record we have a champagne buffet, for everyone."

Particularly where executives are concerned, he says, "I don't want walls to build up between jobs; I want everyone to be interested in everything."

Mr. Brown says the selection of the first 10 or 20 dealers for his company was "critically important." He wanted experienced men whom "everybody else in the business looked up to."

He got them, he says, with the same once-in-a-lifetime approach used in luring executives to the Mazda fold, and also with promises the company has made to would-be Mazda dealers ever since:

- The company is limiting the number of its dealers—it plans to have just 655 nationwide (there are over 300 now). This means more opportunity per dealer.
- Mazda Motors offers dealers "the best of service." Mr. Brown says it pledges to "act on every problem within 48 hours."
- Dealers will get adequate numbers





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DALLAS, TEXAS	6,772	10,056	14,620
HOUSTON, TEXAS	6,686	9,894	14,213
Los Angeles, Cal.	7,671	10,985	16,225
New York, N.Y.	7,578	12,585	19,238
St. Louis, Mo.	7,238	10,944	15,733

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of cars and will, as Mr. Brown puts it, "know as much about our business—production, competition, the cost picture and so forth—as we do." He explains: "People are seldom afraid of things they know about; they're afraid of things they don't know."

Mazda dealers make more profit per auto than do dealers in other comparably priced cars, he reports, and in most areas are selling an average of 50 cars a month—"highest average in the industry." (Mazda prices are in the \$3,000 range, before charges for radios, automatic transmissions, air-conditioning and miscellaneous costs.)

In return for such goodies, Mr. Brown says, the company requires dealers to maintain high standards in their facilities (they are expected to put up sizable amounts of capital) and advertising. Also, the company frowns on "dual dealerships"—selling other manufacturers' autos in the same facilities where Mazdas are sold.

And it expects dealers to give good service to their customers.

The company takes pride in its own occasional service to retail customers.

One Friday night some months ago, a doctor en route to Albuquerque, N. Mex., called Mazda headquarters in Los Angeles from a pay phone.

He, his wife and their baby were stranded in tiny Yucca, Ariz. Their Mazda had overheated—the fan belt had broken.

It was 9 o'clock; the nearest Mazda dealer was many miles distant and closed, anyway; the doctor couldn't get help where he was.

Help came promptly from afar.

The motorist was told he would be reimbursed for the fare if he and his family took a bus to Albuquerque (they did, and he was). A car carrier was diverted to take his Mazda in for free repair and he was loaned another car, also free of charge, until his was returned to him.

It might not have made a difference if he'd talked to anyone else at Mazda headquarters, but the man who answered his frantic phone call was Dick Brown himself—working late as usual.

END



## FDR sat here.

At the age of 39, Franklin Delano Roosevelt contracted polio. He went to bed one night feeling ill, and in the morning he couldn't get up. He couldn't walk.

He had a handicap. And yet, seven years later, he became governor of New York. Eleven years later, President of the United States.

He led the country out of the dark days of the depression, and still in a wheelchair, through the bitter years of a world war.

He was obviously as smart sitting down as he was standing up. And he was willing to work hard enough to prove it to himself and to the people of America.

Today, there are millions of Americans with physical and mental disabilities. Millions of people with handicaps. And they, too, realize that they have to prove themselves.

But all too often, they don't get the chance.

They don't get the understanding they need to gain the confidence to ask for a break. Or they find the physical barriers to entering and leaving buildings, or to using public transportation, so discouraging that they don't even try.

And this is a tragic waste. This is the real handicap.

What can you do to help? You can take the time to think. You can take the trouble to understand. You can give these people your confidence, so they can have confidence in themselves. And you can give them the same chance you'd give anyone else.

Then, when you've given all this, you can do one final thing. You can stop thinking of them as handicapped. And start thinking of them as friends and neighbors, as people with talent and a contribution to make to the world.

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# Faces Behind the Figures

Little-known experts provide data which plays an important part in economic decision-making by both government and business



John Bregger (left) puts out monthly unemployment data; W. John Layng oversees the Consumer Price Index; and Mrs. Margaret Stotz is in charge of the Wholesale Price Index.

When major economic decisions are announced in Washington, the news accounts feature such names as Richard Nixon, George Shultz, Arthur Burns, Herbert Stein, Wilbur Mills and other giants of the capital scene.

You're not likely to hear about George Jaszi, Clayton Gehman, John Layng, Margaret Stotz and John Bregger.

But they are a very important part of the economic decision-making process, not only in government but to an increasing extent in the business world.

Messrs. Jaszi, Gehman, Layng and Bregger and Mrs. Stotz are in charge of compiling key indicators that give a continuing, disciplined and realistic quantitative description of the nation's economy.

Those indicators include the gross

ROBERT DIETSCH, author of this article, covers the economic field in Washington for the Scripps-Howard Newspapers.

national product, consumer prices, wholesale prices, industrial production, unemployment, business capital outlays, and the balance of payments.

The National Bureau of Economic Research says "most long-range policy decisions" of large corporations and of many trade associations and labor and agricultural organizations "are now formulated within the framework" of such indicators.

The indicators are, of course, used widely inside the federal government—by the Council of Economic Advisers, Treasury, Office of Management and Budget, Federal Reserve Board and Commerce Department—in working out and executing fiscal, international, wage-price and other economic policies.

They also are used by state and local governments, universities and research organizations, and a growing number of individuals who feel a need for orientation in the economic world.

The civil servants in charge of these

key reports are highly trained, have many professionals assisting them and earn between \$25,000 and \$35,000 a year.

## Helping make policy

They are not policy-makers, but their findings help make policy and they work with policy-makers—usually comfortably and easily.

All say they never have been asked to shade a figure, change a percentage or delay a report for political reasons. Yet there is a tinge of politics in their work. Perhaps with the exception of Mr. Gehman's bosses on the Federal Reserve Board, their Presidentially appointed superiors—who approve the wording of releases accompanying statistical findings—can't help but have a political orientation.

And at times the civil servant and the politician don't mix. For example, top civil servants in the Labor Department generally opposed the Nixon Administration's decision to eliminate media briefings which had



## GROSS NATIONAL PRODUCT

*Handwritten signature: Jaszi*



Four hundred seventy people report to Dr. George Jaszi at Commerce Department's Bureau of Economic Analysis, which prepares a variety of "accounts."

*Handwritten signature: Gehman*



Clayton Gehman assembles statistics that American businessmen tend to watch closely—the monthly Industrial Production Index.

accompanied the release of the monthly unemployment and price statistics.

In this case, the politicians prevailed, and some career employees feel the public is being shortchanged because of poorer reporting.

Here is a capsule report on the key economic indicators and the people most responsible for preparing them:

Dr. George Jaszi, a tall and lean native of Hungary with a doctorate in economics from Harvard and earlier training at the London School of Economics, directs the Commerce Department's Bureau of Economic Analysis. Four hundred seventy persons report to him.

Dr. Jaszi's broad assignment is to "prepare the economic accounts of the United States and to interpret economic developments in the light of these accounts and other pertinent information."

Among the accounts prepared under Dr. Jaszi's supervision: The national income and product and wealth accounts, focusing on the gross na-

tional product; input-output accounts showing how various industries interact to produce the GNP; the balance of payments account, which gives details on U.S. transactions with foreign countries; surveys of the investment outlays and programs of U.S. business; and a system of leading, lagging and coincident business cycle indicators.

The Bureau of Economic Analysis also publishes the widely-watched monthly *Survey of Current Business*. As Dr. Jaszi (pronounced "Yah-see") puts it, his Bureau's mission is to provide "objective economic facts and analyses to the nation—not just to the government policy-makers who use the intelligence it provides."

For the most part Dr. Jaszi and his associates, who work on a \$7 million annual budget, get their raw data from other government agencies, sometimes using their clout to persuade—or even order—these agencies to beef up their own reporting procedures. Dr. Jaszi compares the work

of compiling the quarterly GNP reports with that of a manufacturer who buys semifinished materials from a variety of sources and converts them into a finished product.

The Bureau also gets basic balance of payments data from private business, and receives, on a voluntary basis, private data for the quarterly survey on plant and equipment expenditures—another government report without which industry's own plans might suffer.

### The businessman's interest

While economists tend to watch the GNP for national trends, businessmen tend to watch the monthly Industrial Production Index. The man who pulls together that set of figures for the Federal Reserve Board is Clayton Gehman, a modest native of Pennsylvania with a master's degree from the University of Wisconsin. Mr. Gehman has been with the "Fed" since 1936 and has been in charge of the Industrial Production Index since



## Faces Behind the Figures *continued*

the middle 1950s. The Federal Reserve began publishing monthly industrial production figures in the 1920s. The series has been expanded and modernized throughout the years, and Mr. Gehman's staff recently issued a book describing the 1971 general revision of the index. The book contains 134 pages of analytical material with 74 special exhibits and 246 pages of statistics.

The Industrial Production Index is issued at mid-month and reflects estimates of industrial production during the preceding month—"total output of factories, mines and utilities."

Mr. Gehman explains:

"These first figures, for about 70 components, are based on information collected by government and private sources for a wide range of industries and products, and in most instances they closely approximate final figures based on more comprehensive and detailed data. This is important because the early figures, being timely, are generally the ones most widely used."

Mr. Gehman also gets some raw data from private trade organizations.

About 4,500 copies of the Industrial Production Index are mailed to businesses and economists monthly, and Mr. Gehman gets frequent calls from business marketing organizations and economists. He concedes, a bit disappointedly, that the index hasn't received as much publicity as the quarterly gross national product figures.

Implied in his statement is a professional conviction that the ID figures are an even more accurate measurement of overall economic activity than the GNP.

### The top attraction

Without much doubt, the most widely watched government statistic—widely watched in numbers of people—is the Labor Department's monthly Consumer Price Index. (The official title: "Consumer Price Index for Urban Wage Earners and Clerical Workers.")

Usually called the "cost of living index," it covers everything from food, clothing and autos to fuel, drugs, rent, repairs and medical care.

In charge of the CPI is W. John Layng, 33, a graduate of Dickinson College. He holds a master's degree

from George Washington University and is an alumnus of the Commerce and Agriculture Departments. His Labor Department title is chief of the division of consumer prices and price indexes.

The Department's Bureau of Labor Statistics has been calculating the Consumer Price Index for nearly five decades. The index, of course, is used in labor-management contracts with cost-of-living escalators to adjust the wages of about four million workers, and as a measure of change in the purchasing power of the dollar for such diverse purposes as adjusting pensions, welfare payments, royalties and even alimony payments.

It also is used widely as a measure of inflationary or deflationary trends in the economy.

As Mr. Layng explains it, 65 persons work on the index within his section. But perhaps as importantly, 200 agents work around the country, out of 10 regional offices, to collect price information during visits to 18,000 stores and service establishments. Rental rates are obtained from about 40,000 tenants.

Without the aid of contacts in the retail field, the "price collection agents" wouldn't do as well at collecting. "The identities of the stores visited each month are strictly confidential," Mr. Layng says. "We wouldn't even divulge the names of our cooperating businessmen to the Price Commission."

Mr. Layng denies ever being pressured to alter or change a figure in the monthly report, but concedes there have been "professional differences" between the career people and politically appointed Labor Department officials over wording of the texts which accompany the figures. However, he says, "The important thing is that the figures are there, always on the front page of the release, for everyone to see. And the reporters handling the monthly stories are sharp enough to call if they see anything unusual in the wording of the text."

There are 400 different cost of living items in the "CPI market basket" and each is assigned a "weight" in line with its importance in consumer spending. Actually, the market basket weights today reflect consumer

expenditure patterns of 1960-61, leading to scattered criticism that the index is somewhat distorted because of changed consumer spending patterns.

Mr. Layng denies such criticism in general, but concedes the index may "be lagging somewhat in certain areas, including recreation and medical care." A new CPI market basket weighting is due in early 1977.

### At the wholesale level

A vital indicator for businessmen, the Wholesale Price Index, is compiled within the Bureau of Labor Statistics under leadership of Mrs. Margaret S. Stotz.

Her staff is made up mostly of economists who collect basic data from manufacturers—while the barometer is called the wholesale price index, in reality it is a "manufacturers' price index." As a government booklet puts it, "to the extent possible, the prices used in constructing the index are those that apply to the first significant transaction." Today, 8,300 prices are involved in the WPI.

The index is the oldest continuous statistical series published by the Labor Department; it first came out in 1902 and covered the years 1890-1901. Today's WPI base comes from the industrial census taken in 1963. Mrs. Stotz says a lack of money and staff has postponed the next basic revision until 1975.

There's a feeling that some sections are not up with the times—the textile products area, for example, has seen major shifts from natural to man-made fibers but the index gives primary weight to cottons. However, some revisions are constantly being made in the WPI—new items such as mobile homes are being fused in.

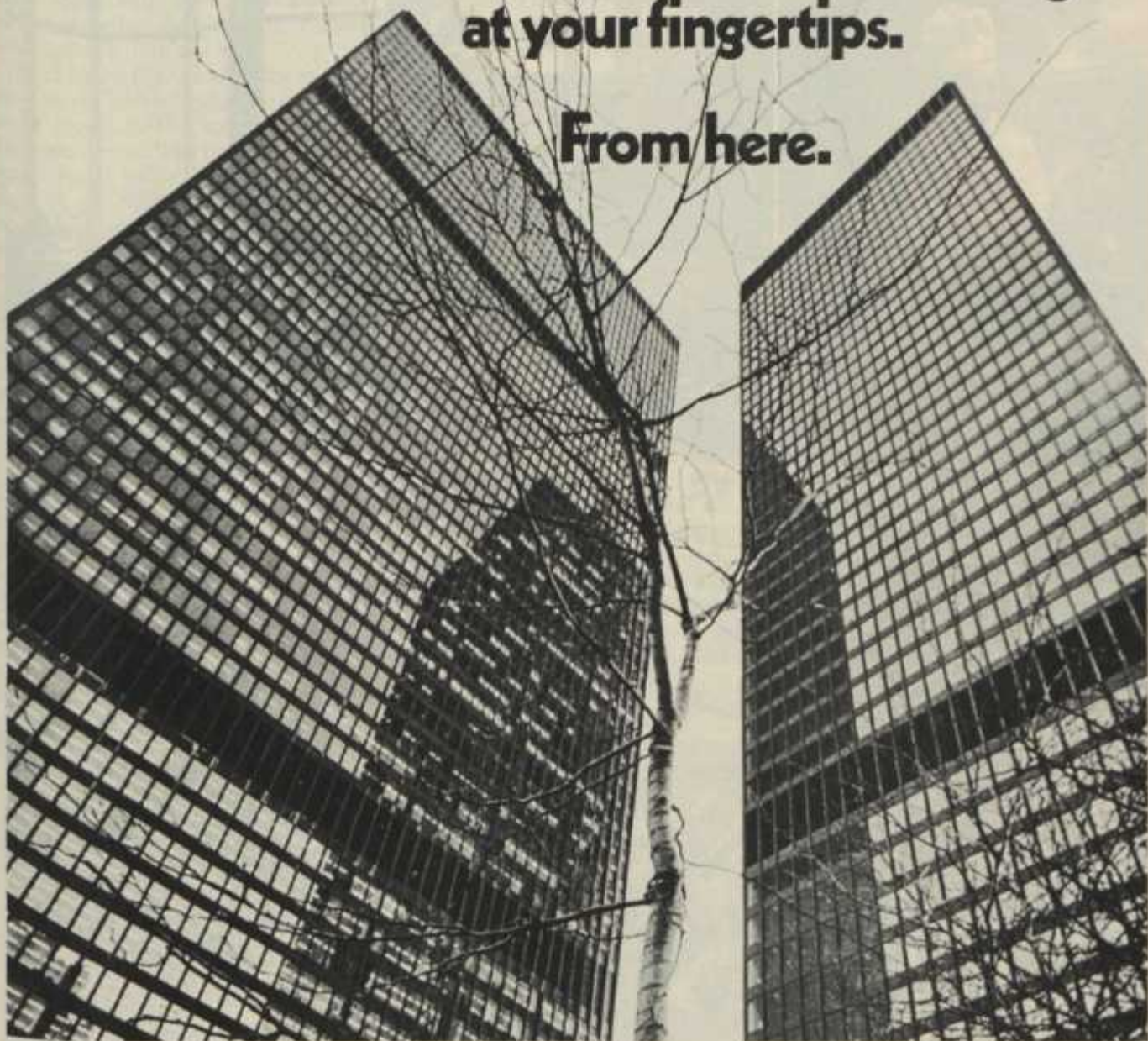
About 3,300 companies send in data every month, according to Mrs. Stotz, who got her training at the University of Nebraska and American University. The information is supplied voluntarily (it, of course, is in business' interest to cooperate) and is kept strictly confidential.

Like her associates, Mrs. Stotz insists there is no political pressure to adjust figures or release data prematurely, although the monthly figures for all government reports go to selected political appointees ahead of time. Mrs. Stotz has a staff of about



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25 commodity analysts who keep in close touch with trade associations, either to gather data or supply specific figures within the index.

Next to the Consumer Price Index, the most widely-watched Government report is the monthly unemployment figure. The report embraces employment totals, too, but the accent is on the jobless percentage, which has social and political as well as economic implications.

So the man who heads up the reporting, John E. Bregger, isn't surprised when he finds himself on a hot seat. His staff of 30 not only is in charge of reporting the monthly jobs data but of analyzing it in detailed articles printed in the Labor Department's *Monthly Labor Review*.

Mr. Bregger, who is chief, division of employment and unemployment analysis, Bureau of Labor Statistics, got his degrees at Antioch College and American University. He says the unemployment survey "is the largest monthly household survey in the world, many times larger than many of the national public opinion polls, and uses a scientifically select-

ed sample that is studied and reviewed constantly." The survey actually is done by 1,000 part-time Census Bureau enumerators, in a monthly endeavor which embraces nearly 50,000 households. The enumerators, specially trained, are, according to Mr. Bregger, "mostly very dedicated ladies."

The Census Bureau sends the raw data to Mr. Bregger's team, and they publish it two weeks after it's collected. "It's one of the fastest-done pieces of reporting you'll find anywhere in the government," Mr. Bregger says.

#### Who really needs work?

There has long been debate over just who is "employed" and who is "unemployed."

Mr. Bregger is aware of complaints that many of those counted as unemployed in the survey shouldn't be, because they don't really need jobs.

"This subject has been examined almost continuously since the inception of the unemployment measurement survey in 1940," he says. "The

concept used has changed very little over this period, or else comparability would be a very real problem.

"Those who feel that the number counted as unemployed is too high point to such groups as young people, particularly students, and married women as outstanding candidates for elimination.

"The usual justifications given are that these types of workers do not need work and/or are only temporarily in the labor force.

"It would be interesting and significant for public policy development if one could make an estimate of the number of unemployed who need jobs. But the subjectivity of such a measure would be exceedingly great, since in some cases it cannot be easily determined whether an unemployed individual really needs a job."

For example, he explains, in many families both husband and wife work, and it would take a great deal of self-assurance for a statistician to decide that a family doesn't really need the extra bacon that a wife brings home.

END

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**UNION**

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Organized labor may not be keeping pace with the total work force in growth, but mergers are helping some unions grow larger and larger

Organized labor's traditional rallying cry, "in unity there is strength," is getting a new twist these days.

Unions have developed a growing urge to merge, both within industries and across industry lines.

For business, this raises the prospect of grappling with bigger, better-financed unions which are more militant because they have more muscle.

Legally, businesses have little protection against the forging of an industry-wide or even conglomerate union. Business consolidations may come under the Justice Department's scrutiny, but labor unions are largely exempt from antitrust laws.

The merger trend has been growing in both industrial and trade unions since the late 1960s. According to the Labor Department, about one third of the 36 mergers involving AFL-CIO affiliated unions since 1955, when the big federation itself was formed by merger, occurred in

the last five years. A half dozen major unions are talking merger now, and many others are considering it.

In a typical situation, two or three or more unions that are competing with each other in an industry band together to form a bigger unit. Or a larger union outside an industry comes in and absorbs a smaller union.

Chemical company executives currently are wondering what the entrance of the United Steelworkers into their industry will mean. The steel union recently merged with District 50, Allied and Technical Workers of the U.S. and Canada, which had the bulk of its membership in chemicals. An independent union, it was originally part of the



United Mine Workers and was set up to organize outside the mining industry.

A chemical industry spokesman, noting that unions do not have the industry well-organized, says: "This is the first time a big union has had a substantial foothold in the industry. It's too early to tell what will happen. We assume things will be different. Obviously, the Steelworkers can throw in a lot more resources."

The factors motivating unions to merge go beyond just an attempt to create more bargaining muscle. They want to pack a bigger wallop, too, in areas including lobbying and other political action.

The specter of less rather than more clout haunts some labor leaders, who are acutely aware that while unions have continued to grow in membership, their representation in the total labor force has declined. The nation's 208 unions and public and professional associations represent only 22 per cent of its workers, down from 33.4 per cent in 1956.

Since its founding, the AFL-CIO's posture toward mergers has been one of encouraging, but not actively pushing, them. The federation's leadership hoped that the precedent of trade (AFL) and industrial (CIO) union movements merging would spark voluntary consolidations among its members. Union mergers, AFL-CIO President George Meany's thinking ran, would eliminate duplicating and conflicting efforts.

But no craze for consolidation developed.

Today, 60 of the 116 unions in the AFL-CIO have fewer than 50,000 members—which some union officials think makes them too small to be really effective. Unions with less than 50,000 rank and file simply can't generate the income to pay for the services a union must supply, the officials say.

"Running unions is an expensive business," one comments, ticking off such points as negotiating, research, lobbying and strike benefits.

One spur to the consolidation trend in the past few years has been "the end of a phase in union leadership," according to Dr. Herbert Northrup, director of the industrial research unit at the University of

Pennsylvania's Wharton School of Finance and Commerce.

Scores of union chiefs are in their late 60s and 70s. "A lot of these guys are willing to get out," says Dr. Northrup. "Some unions buy them out. They give the president a good deal and the merger goes through."

### Changing industries

Technological change also has been a force pushing unions toward consolidation. In several industries shakeups have been drastic and swift, altering the number of different types of jobs and blurring the lines between crafts.

An example is the printing industry, where, comments an AFL-CIO spokesman in Washington, change is "massive." This, along with losses of jobs, has stimulated the merger of a number of printers', lithographers' and bookbinders' unions.

The decline of an industry is sure to cause shrinkage in union membership and set up conditions for union consolidation. Railroad unions, for instance, have dwindled from 19 in 1956 to 11 today. In 1969, four railroad operating unions merged into the United Transportation Union with a membership of 221,000. Several other small unions have since joined the UTU, which observers think is well on the way toward becoming an industry-wide union.

Even the fact that an industry, though still vibrant, is not swiftly growing can lead to union mergers. The Steelworkers, moving outside their industry in quest of more members, have not only made the previously mentioned move into the chemical industry, but have absorbed workers in metals mining and stone-cutting.

Unions' decisions to join forces also have been influenced by the consolidation and growth of corporations since the end of World War II. One union official, citing the conglomerate trend of the late 1960s, says it's felt that bigger companies require bigger unions.

Other changes in corporate modus operandi have had an effect in various industries. There used to be intense competition between unions in the meat-packing industry.

But smaller, nonunion producers

began capturing an increasing share of the market. As a result, major meat packers decided to decrease the size of production units and decentralize operations in rural areas. Such developments, along with the threat of job losses they carried with them, helped spur unions to link up.

Merging two unions—like merging two businesses—isn't an easy task, according to union officials. Lengthy and delicate negotiation usually is required. Differing degrees of local autonomy, union pride and loyalty, and craft specialization are some factors that make union marriages hard to pull off.

The status of leaders is another problem. One union president has to accept being top dog no longer; consolidated boards of directors have to be trimmed back.

What to do with union staff personnel and field organizations can cause headaches. "It's harder to lay off people when you're a union," a labor official points out.

Dues tend to be a sticky situation, too. "They range all over the lot," an AFL-CIO spokesman notes. Com-

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## Bigger Unions Will Pack a Bigger Wallop *continued*

mon dues that are equitable must be set up.

Less of a problem is what to call the new organization, and where it will be headquartered. Still, such decisions require giving ground by one organization or the other.

And there are many other complexities that can prevent a happy marriage between unions.

Harry Bridges' International Longshoremen's and Warehousemen's Union broke off negotiations to merge into the International Brotherhood of Teamsters last February, citing disagreements on such issues as whether members could be forced out of one union local into another, whether locals could be forced to merge and whether pension funds would be consolidated.

In view of the disagreements, the ILWU said, the merger had been "dropped," though the two unions "will make every effort to continue good fraternal trade union relationships . . . and other forms of joint activity."

The Teamsters-ILWU merger talk

should have given not only businessmen, but the nation as a whole, much to think about. It was a move toward a firmer grip on the country's entire transportation network.

### Communications talks

A current union romance is in the same category. The 550,000-member Communications Workers of America, now primarily in the telephone industry, is in formal merger talks with the 350,000-member American Postal Workers Union.

The merger is reportedly part of a plan by CWA President Joseph A. Beirne to create one major "communications" union in the telephone, telegraph, postal, broadcasting and newspaper fields.

Collective legislative or political activity sometimes is the first step down the merger road. For that reason, labor observers are watching a new joint organization called CAPE (Coalition of American Public Employees) set up by the American Federation of State, County and Municipal Employees, a 525,000-

member union that is the fastest growing in the U.S., and the National Education Association, a 1.2 million-member organization of public school teachers.

One of CAPE's first actions was to challenge the Hatch Act, which bans federal employees from political activity. Currently, the government is appealing a court decision that the Act is unconstitutionally vague and overbroad in its effect.

CAPE also plans to lobby for federal legislation to give uniform collective bargaining rights to all state and municipal employees, who offer large potential for union organizers. Of some 10.5 million employees of state and local governments in the U.S., only about four million are in unions or associations.

Whether CAPE's formation leads to an AFSCME-NEA merger, says an AFSCME spokesman, "is anybody's guess." NEA, it might be pointed out, has had another suitor in the American Federation of Teachers.

All collective union action doesn't lead to merger, of course. The Alliance for Labor Action, a joint venture by the Teamsters and the United Automobile Workers to organize the poor and use labor resources to help solve urban problems, was phased out in 1972.

But the UAW, with a membership of 1.4 million, has found another friend in the International Association of Machinists and Aerospace Workers, an AFL-CIO affiliate with just under a million members. The two unions signed a mutual help pact in 1971 and held a joint legislative meeting in Washington in March.

Leaders of the UAW and IAM have downplayed merger talk, but agree their relationship is getting closer. If merged, they would create the nation's biggest union, topping the Teamsters' two million plus. But the IAM's name also comes up as a possible bridegroom for the financially troubled International Union of Electrical Workers.

With all the merger talk floating around in union circles, it's getting difficult to tell the pursuers from the pursued. What's certain is that more marriages are coming, and it's bad news for business. **END**

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This 280 page, 8½ x 11" manual, details how you can advance to a job with higher earnings within the \$10,000 to \$60,000 range, by applying totally new and advanced concepts of job hunting.

Written to provide all the practical techniques and aids known today, it is the 1st book published by the staff of a Professional Job Hunting Counseling firm. As specialists, our knowledge is unsurpassed, and several members of our staff are among the most imaginative and keenly analytical individuals in the job changing field.

This book has been purchased by Congressmen, Senators, and Corporate Presidents. More important, however, tens of thousands of job hunters, from students to senior executives, have been personally using it to maximum advantage in advancing to better jobs.



This book has been recommended by over 100 leading media. It has received universal praise in all reviews—and has also stirred widespread controversy as many believe it will gradually revolutionize job hunting methods in the U.S.

- "The best handbook available, for finding a better job." **Chicago Today**
- "A breakthrough manual!" **Personnel Journal**
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- "An indispensable aid." **Business Week**
- "Hundreds of new ideas for people." **The Houston Chronicle**
- "Honest-to-God this tells you how to get a better job and contains some of the best advice I've ever read!" **Training in Bus. & Ind.**
- "The 1st master reference on job hunting!" **Rockford, Ill. Register-Star**
- "Many excellent tips, reference materials, and inside information." **St. Paul Pioneer Press**
- "Contains every conceivable idea! 280 valuable pages. Excellent!" **Soc. of Prof. Mgmt. Consultants**
- "Excellent new book. A good investment." **Nation's Business**
- "Just the cold hard facts! It's amazingly readable and highly recommended!" **Memphis Press-Scimitar**
- "Worthwhile reading for anyone." **The Retired Officer**
- "The professional secrets of job hunting—all of them are here." **Purchasing Week**
- "Contains the latest and most advanced job hunting concepts." **San Bernardino Ca. Sun**

Of greatest significance perhaps are the opinions of those who have purchased and used this book (the following authentic and unsolicited comments are only a fraction of the similar correspondence on file in our offices).

- "Your book is priceless! I got a number of offers." **G. L., New Jersey**
- "Very worthwhile and full of constructive material." **S. B., Massachusetts**
- "Outstanding! By far the best work ever in this field." **G. G., New York**
- "Well written and concise. Extremely effective for one who is job hunting for the first time in a while. I got 42 interviews." **K. B., Illinois**
- "Your ideas are worth their weight in gold to anyone after a higher salary." **D. A., Missouri**
- "Thank God for your book. I was unemployed for 7 months, but with your plan have landed my best job. My sincerest thanks." **J. W., Iowa**
- "This book was fantastic. Have read it 3 times and am very optimistic." **G. B., Fla.**
- "A great personal aid. Paid for itself 300 times over." **L. A., Indiana**
- "Most useful book I have ever read." **R. K., California**
- "An absolute classic on the modern art of job hunting." **R. G., Wisconsin**
- "In 4 weeks, I changed jobs and increased my earnings 33%. I wish I had it 10 years ago." **E. K., Arizona**
- "Puts you in such a successful frame of mind, that it alone is worth the price." **C. C., Pennsylvania**
- "Really terrific—have been in Personnel 20 years, but never saw anything like this." **R. H., Texas**
- "A great book! Tells you precisely what to do, and how-to-do-it." **S. H., Calif.**
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The job hunting concepts revealed in "The Professional Job Hunting System" include the following:

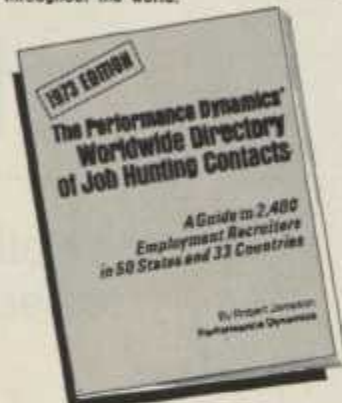
- How to job hunt for a 20% to 50% salary increase
- How and why you should break most generally accepted job hunting rules
- How to develop & use personal contacts
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- How to use recruiters & agencies for greatest personal gain
- How to job hunt while unemployed
- How to get interviews with Presidents
- How to answer ads; the timing & strategy for 1,000% more interviews
- How to handle a record of too many previous job changes
- How to compete effectively without a college degree
- How to handle employment gaps
- How to make sure your materials are always read
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- How to discuss having been fired
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- How to finesse stress interviews, & a list of all S.I. questions
- How to handle bad references
- How to handle a low current salary
- How & when to exaggerate in a resume
- How to job hunt successfully from a remote location
- How & when to exaggerate in an interview
- How to identify firms behind blind ads
- How to find out the comments made by your references
- How to maintain absolute secrecy
- How to negotiate an employment contract
- How to overcome senior age barriers
- How to get interviews ahead of more qualified candidates
- How to develop & execute a planned campaign—that is totally different from your competitors
- How to handle 1-industry experience
- How to negotiate a maximum salary
- How to control virtually any interview
- How to handle a 1-company background
- How & when to use 3rd party techniques
- How to handle youth and lack of

Any of the hundreds of advanced ideas can be mastered by using the recommended techniques, because of the easy-to-use format of the book. Every page is indexed for quick reference, and there are dozens of extraordinarily successful letter & resume samples.

Note: You can probably increase your career earnings by \$100,000, through executing an intelligent and effective job campaign. In fact, once you have knowledge of this book's ideas, the only factor that will restrict your growth, will be the extent to which you decide to execute them.

(i.e., A man of 30 who advances from a \$14,000 to \$16,000 job, will generally maintain that differential for the majority of his career. In thirty years this means \$120,000 additional income. Of course, for those at higher salary levels, the career impact of a job change frequently exceeds \$250,000.)

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# Edward B. Rust of State Farm

The National Chamber's new president hopes  
to see a brighter image for U.S. business

The commercial says: "Like a good neighbor, State Farm is there."

"Good neighbor" is an apt description of the impression you get of Ed Rust. You'd never guess that the confident, down-to-earth Midwesterner is president of all six State Farm insurance companies, a group that includes the nation's largest insurer of cars and its largest insurer of homes.

Now Mr. Rust is taking on still another presidency—that of the Chamber of Commerce of the United States for the year beginning May 1.

Edward B. Rust was born and raised in Bloomington, Ill., where State Farm is headquartered, and was graduated *cum laude* from Stanford University where he majored in economics. He's a Phi Beta Kappa.

After working briefly for State Farm before World War II, he went to the Aleutians as a naval officer and taught in the naval supply school at Harvard. He returned to State Farm in 1946 as director of branch offices.

Mr. Rust was elected president of State Farm Mutual (parent company of the State Farm group) in 1958 when it had only 5½ million auto

policies in force. The total is now almost 14 million and the company has almost \$3 billion in assets. Sales in 1972 passed \$2 billion.

Subsequently, he was named president of State Farm Life Insurance Co., of State Farm Life and Accident Assurance Co., of State Farm Fire and Casualty Co., of State Farm General Insurance Co. and of State Farm County Mutual Insurance Co. of Texas.

What time is not absorbed by the insurance business goes mostly to the operation of his farm on the outskirts of Bloomington, where he lives and raises quarter horses. He currently runs more than 70 head on the farm's 80 acres. He also raises a few cattle and crops on a much larger farm a few miles away.

No desk-bound executive, Mr. Rust does hard manual labor on the farms. "You name it, and I've done it," he says.

His vivacious wife, Harriet, also works with the horses, as did their son Rusty and daughters Peggy and Holly before they married and moved away.

Peggy is now Mrs. William Wet-

zel, whose husband is a lawyer in Bloomington. They have four children. Holly is Mrs. Joe Tom Wood. They live in Dallas and have two children. Rusty—Edward B. Jr.—is a law student at Southern Methodist in Dallas. He is married and has no children.

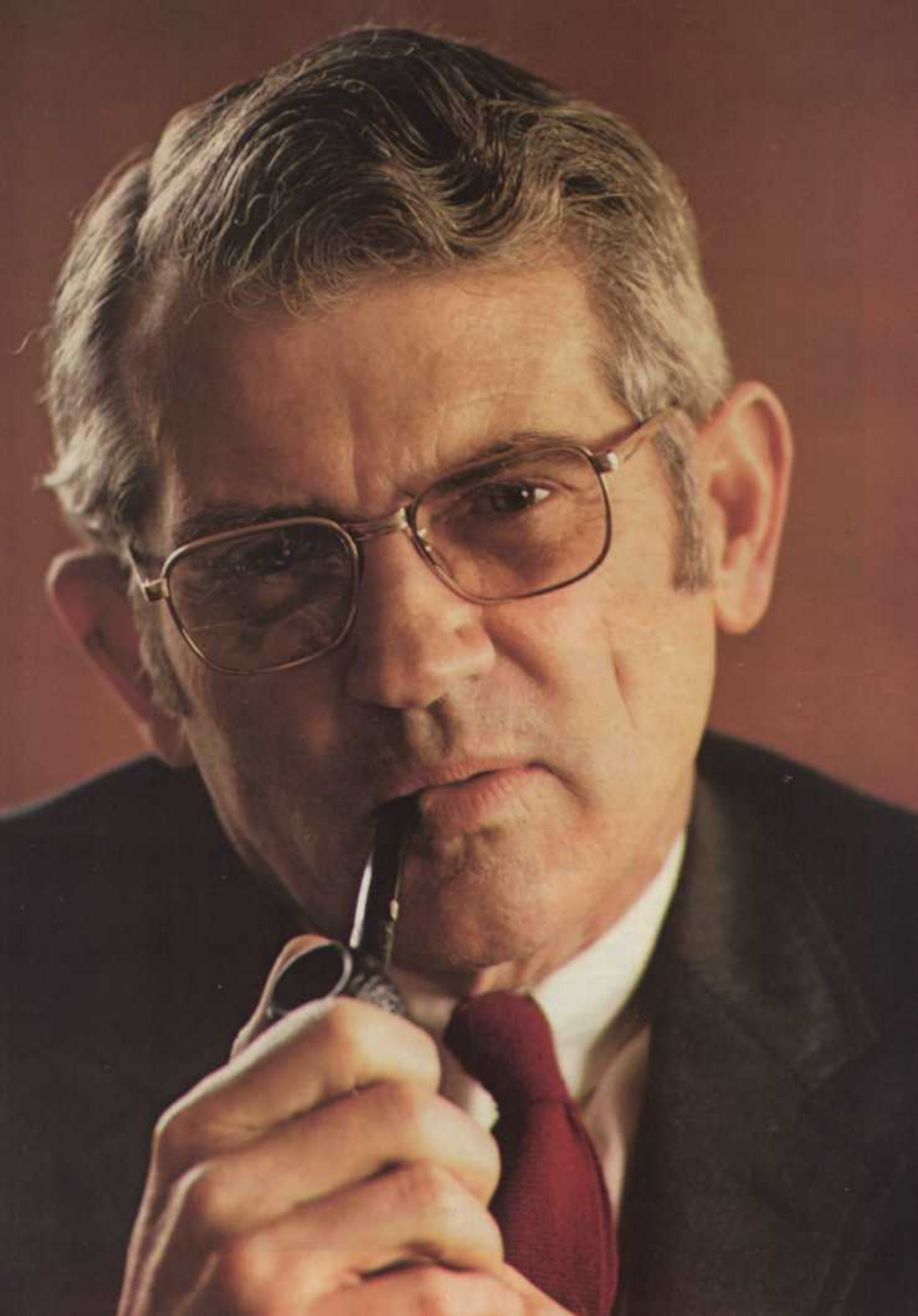
Mr. Rust makes the 10-minute drive from his farm to headquarters in the center of Bloomington every day. The building still has mirrors in the corners of the halls that were used by roller-skating messengers in the old days to see each other coming.

He'll be moving soon to a modern \$40 million complex on the edge of town. State Farm employs some 25,000 people and has about 11,000 agents.

Unlike many businessmen, Mr. Rust has no stockholders as such to think about. As a mutual company, State Farm is owned by its policyholders, whose interest is its sole concern.

In addition to heading all the companies, Mr. Rust, 54, is a director and member of the executive and investment committees of all but the









*Edward B. Rust, the National Chamber's new president, lives on a farm and finds he does plenty of work—the nondesk kind.*

*Harriet  
Bo W*

*Harriet Rust shares the keen  
interest of her husband in  
raising horses—and in the  
farm where they live.*

*Harriet  
Bo W*





## Lessons of Leadership: Edward B. Rust *continued*

Texas company. He is also a member of the Housing and Urban Development Advisory Committee on Riot Insurance, the Department of Commerce National Business Council for Consumer Affairs, and President Nixon's Minority Enterprises Advisory Council. He is a member of Illinois Wesleyan University's board of trustees, and of the board of General Telephone Co. of Illinois.

Mr. Rust has been a director of the National Chamber since 1966 and its treasurer since May, 1972. He has served on its accrediting board and on committees on fiscal policy, insurance, nominating and taxation.

As president, he told editors of *NATION'S BUSINESS* in the following interview, he hopes to see the Chamber develop constructive, innovative programs on the image of American business. He cautions, however, that such programs will need to recognize that improvement of the business image may entail improvement of the quality of products and services business offers to the American consumer.

*Mr. Rust, is it true that State Farm has literally come from roller-skating messengers to instantaneous computers?*

That's correct. A roller-skating marathon came to financial ruin here in our community back in the '30s, and some of the members of the troupe applied for jobs. Really, the principal capability they had was skating.

We had trouble delivering mail in our building at that time, so we put them to work as messengers on skates. They were so successful that, for a long time, our employment applications asked about roller-skating ability.

*Now your agents just push a button and find all about a policy? Right?*

That's what we'd like, but it doesn't work quite that well.

*Everything we have seen indicates State Farm has an excellent reputation. How do you account for that?*

Our philosophy has been that the only thing we have to sell is service. We try to sell it at a lower price than anybody else. But the real issue is whether you deliver the service. This

has been our goal, what we have been hammering on ever since the company was started.

*How much correspondence do you look at yourself?*

I see a great deal. My name is on probably 20 million policies. If people can't find their agent, they write me by name.

*Is there any one claim that sticks out in your mind?*

One of my favorite stories is about a phone call I got one day—I get a lot of phone calls, too—and the fellow said, "Ed, this is Moe. We had a little fire last night."

I was asking myself, "Whom do I know who would have a fire?" Finally I said, "Moe, I'm sorry, I just don't place you."

He said, "I'm out here in Long Beach, Calif., and the policy says I should notify the company if I had a fire. And I had a fire last night."

*How do people get to you on the phone?*

They just call.

*Isn't it unusual for the average guy to be able to get the president of a company with \$3 billion in assets on the phone?*

Of course, I have executive assistants who do a lot of things, and they take calls too. But ordinarily, if I'm here I take the call. That's the way I find out what's going on. And people are very frank.

*Would you say the problem of communication is one of the biggest challenges to business as a whole?*

I think it's one of the biggest challenges to the whole economic system and the political system. There's a level of people in the country who think they know what the great majority of people are thinking, but really don't—because they don't have any communication with them. Then, when things are done, they are shocked to find it isn't really what the people want.

The last election was an example of that. I'm sure Sen. McGovern and the people working with him thought they were presenting a program the

people wanted. They found it wasn't what the people had in mind at all. Their problem probably was that they talked only to their own people, who think like they do.

*What do you think business ought to be doing about better communication?*

Well, I have said at a number of meetings on the problem of business' image, and so on, that you don't have to make any surveys to find out why some businesses have a poor image. All you have to do is ask your wife.

I don't care whether you're the president of General Motors or on welfare, she's going to tell you that, in her mind at least, many things she buys don't work or aren't what she thought they were.

Somehow we have to change that, so that when we buy something we are satisfied. In the final analysis the biggest challenge to business is whether or not it satisfies the desires of the public.

*As president of the Chamber, will you be talking about that problem?*

Yes. I would like to see us more on the offensive than the defensive, for example, in this matter of improving the image of business.

I think we have to do it with the product. I don't think all the efforts in the world will do it if the product doesn't.

I'm on the board of General Telephone of Illinois, and, like other businesses, they found the public thought they weren't very good. They have really been keeping records and trying to do something about it, doing things they haven't done for years. And they are surveying the public.

Well, for the first year the public thought they were still bad. Now they're beginning to see a few signs that the public thinks they're improving.

Business has to see that its products and services live up to the claims made for them.

*Your own company is very close to consumers. . . .*

Sure. . . . So you probably have a "feel" for



## Lessons of Leadership: Edward B. Rust *continued*

this. Do you have a consumer complaint department?

You're looking at it.

*In this area, do you think business has to be more flexible rather than rigid in its reactions, its goals?*

Yes. I think the question is: What are we willing to give up in order to try to accomplish the things that we feel are needed?

If I have learned anything from being in a business that's closely regulated, it's that you have to compromise. Sometimes you have to give up something that's very dear to you in order to be sure that in the long run you keep something that's absolutely essential to you.

And I don't care how much you communicate, if your product doesn't measure up, you have a credibility gap and the communication doesn't mean anything.

Once you build credibility, then your communication means something.

*Do you think people would accept the price they would have to pay for true quality?*

Certainly. Historically, in our society, those companies have fared best and survived longest that have insisted on high standards of quality. I am persuaded that in the long run it is far costlier to sacrifice quality.

It's not difficult to find in today's marketplace vast differences in quality without corresponding differences in price.

*Yours is a people-oriented industry. How will the no-growth movement, for example, affect you in the future?*

We have been kicking around quite a bit the potential effects of the environmental movement. That's tied up with the no-growth theory.

And we're terribly concerned about the energy crisis—its ultimate result.

We wonder if, rather than spending all this money for emission controls, a mandated size for the vehicle both as to weight and as to horsepower might not bring about the same results at a much lower price and reduce the energy needs at the same time.

It isn't going to make any sense to be paying a dollar a gallon for gaso-

line at seven miles to the gallon and another \$600 or \$700 for antipollutant facilities. If you're still going to have to pay the dollar for gasoline, you'd better be driving something with 27 miles to the gallon.

We would also gain more parking area and lessen traffic congestion by reducing the bulk of the vehicle.

But I'm sure the manufacturers would have to do a lot of rethinking.

*What do you think is the overall answer to our energy problems—electricity, atomic power, the whole range?*

I have the feeling that we are about to have to face up to a matter of priorities as to how much antipollutant environmental control we want and how much we want to give up for it.

Let me put it this way: The most avid anti-nuclear power plant fellow is going to change his mind when he can't sit in front of his TV because he doesn't have any power to run it. We'll have an adjusting of priorities right quick when that comes about.

*There's a great deal of talk now about increased trade with Russia. What form do you think the increase, if any, will take?*

I'm not sure that the trade will necessarily be in what we think we would like to sell them. It will be probably in what they want. And everybody is guessing a little as to what that would be.

*You had dealings with Russians yourself a long way back, didn't you?*

When I was in the Navy, I was a supply officer at Adak, Great Sitkin, and Cold Bay—which was the principal point where we transferred landing craft to Russia. Russians came in and were indoctrinated, took over ships and sailed them back.

*What did you think of the Russians?*

I liked them very much. I had about 30 to 40 at a time assigned to my operation.

*How do you feel about international trade generally?*

It's essential to our survival.

*Can we do the things that we must to compete effectively?*

I think so, but we can't if the vari-

ous facets of our economy are running off in opposite directions. We have to get together and start pulling in the same direction.

*What do you mean by that?*

Somehow, management and labor must recognize that they have a common threat to their existence, our ability to compete in international markets. To the extent that we continue to have constant troubles between management and labor we are impairing our success.

A fellow told me a long time ago it's hard to figure out how you sink one half of a ship without taking everybody else down with it.

So, we really need an educational process, and that sounds idealistic, I'm afraid. It's hard to bring about an economy where everybody understands that if he pushes too hard in one place he's going to push something out of place somewhere else.

It's easy for a worker to insist on an extra dime, we'll say, because maybe in a particular situation he's got the clout to bring it about, and to assume that this doesn't affect anything else. But it does.

Big business, for example, is torn among several publics. Here is a financial page, a big headline about a new, all-time profit, and over here on the next page is a story from the same company about what a horrible thing it is that the union is wanting more money. And they both come out at the same time. You can't win in that game.

I don't profess to have the answer to these problems. These are just some things that have always bothered me. Eventually there needs to be an equitable distribution.

*Do you think that an element of antagonism between government and business is also part of the problem?*

The tendency is to make the business community the whipping boy. I'm not sure that the political figure really believes all he says, but he thinks it is attractive to the people. I'm not at all sure that's true.

*What is the hardest decision you've had to make at State Farm?*

My toughest decisions involve the marketplace. As the largest insurer





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## Lessons of Leadership: Edward B. Rust *continued*

of cars, we feel a special obligation to provide a market for the insurance requirements of a growing car population.

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*Is inflation a keen threat to your overall operation?*

Oh, yes, especially for us. Unlike most companies, our raw materials are the premium dollars that come to us from our policyholders. In return, we make promises—mostly to restore losses.

During inflation, our raw materials lose value while they are being "processed"—that is, being changed from premium dollars to benefit dollars. That's a lot different from manufacturing, where processing adds value to the raw materials.

*What do you think we ought to be doing as a country against inflation?*

The big thing is to get some kind of control on federal spending—and not only federal but spending at all government levels—so that we are not getting too big an impact from deficit spending.

The political problems in reducing government outlays are obvious. To achieve this essential reduction, we as a people must develop different approaches to many of our problems.

By now, we all should have learned that government is not always the best source of solutions.

We also need to get our balance of payments in order, and we have to strive for a more cooperative position between labor and management—we have to quit seeing each other as adversaries.

*Do you approve of President Nixon's efforts to cut back federal spending?*

I think that's fine. I think we're beginning to learn that we can't be all things to all people.

Unfortunately, we're paying the price of not having decided along about 1966 that you can't have guns and butter both. Back then, I felt President Johnson was going to have to tell the people that we couldn't do both and that we were going to have to tighten the belt on the home front.

But he didn't do it, and it just built from there.

*Will federal taxes have to be increased if the President can't hold spending down?*

I would think so.

*Do you have any thoughts about what form the increase might take?*

I have read the bulk of the testimony from the assorted performers at the Ways and Means hearings on taxation. I would say that they certainly brought both poles of viewpoint into the hearings. Whoever arranged that schedule did a pretty good job.

But I think that one thing somehow needs to be gotten across. I was very concerned when I saw one of the network television shows which featured Johnny Unitas, the football player, and all the tax loopholes that were available to him. They would flash to a bunch of fellows out working on a construction job, and these

poor guys didn't have any loopholes.

You know, really, they had many of the same loopholes Johnny had, in that they were deducting interest payments on a mortgage, they were deducting interest payments on their charge cards, they were deducting their local and state taxes.

So the idea that you're going to close loopholes and take in all the money you need doesn't make much sense to me unless you're really talking about taking away some things people take for granted.

*Let's switch a little bit and talk some more about you. Do you spend a great deal of time at your farm?*

Well, I live on the small one where the horses are. I try to spend my weekends there. Summertime, normally, I'll play 18 holes of golf over the weekend, and maybe play another 18 or nine with my wife. And this year I have been playing tennis a couple of hours on the weekend.

*How long does it take you to get to work?*

Heavy traffic, 10 minutes.

*You have two farms?*

Yes. The other one is about 12 miles from town. It operates pretty much as a separate unit. It's in soybeans and corn. We also raise some Angus.

*Farming and insurance seem worlds apart. Do you sense any relationship?*

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*There has been some talk of this perhaps being a good time to end the various types of farm subsidies. How do you feel about that as a farmer?*

The last couple of years, I haven't been in the program. I think its effect varies with the farmer and what he is trying to do. The farmer's

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costs have really gone up, too. And while we looked at some great prices this last season for the farmer, he hasn't really been in a lucrative business in recent times.

If the market is glutted, his prices plummet.

At this stage nobody knows whether or not that is going to happen in the future, because it may well be that export demand will be sufficient to offset any increased supply.

The Administration's program should increase the supply. But one thing that neither the Administration nor anybody else can control is the weather. Over the past few years, adverse weather conditions in many of the major crop nations had a lot to do with the problems we're having now. A prolonged period of favorable growing conditions around the world could have a very different impact on the problem. This is one of the main variables that make planning in this area so difficult.

Now we have quite a situation on food prices. Probably, a year ago, nobody would have pictured soybeans selling for over \$6. Then all of a sudden we had this increased export market for the product. This has affected meat costs and a lot of other food costs.

*What do you think is the solution?*

I believe eventually we have to go back to the law of supply and demand. Nobody has come up yet with a way you can get a cow to have calves twice as fast, so you just have to work your way out of that.

When you're talking about boosting meat production, it's not simply a matter of adding night and weekend shifts.

Some of the efforts on the part of the Administration now will have an effect in the long range. I simply hope they don't take us down the wrong road.

END

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# The Conglomerate Doesn't Really Have Horns

A Harvard Business School professor, after a two-year investigation, finds that those mergers of the '60s didn't produce corporate monsters, but merely strong competitors

During the wave of mergers and acquisitions of the '60s, when the term "conglomerate" seemed to bubble up everywhere in the business world, many a voice was raised in alarm.

There was nothing new about companies' expansion through bringing other companies into their folds—there had been a wave of it in the '20s, for example—but now the trend was toward diversification rather than combinations of firms in the same or related fields. And the number of mergers or acquisitions was huge—2,346 were recorded in 1968, as against only 535 in 1954.

"In unprecedented fashion, the current merger movement is centralizing and consolidating corporate control . . . among a relatively few vast companies," said a Senate subcommittee in 1969. ". . . These developments pose a serious threat to America's . . . institutions by creating a degree of centralized private decision-making that is incompatible with a free enterprise system."

That same year, Richard W. McLaren, then head of the Justice Department's antitrust division, made it clear he would take a hard look at conglomerates' growth, and proceeded to challenge acquisitions by Ling-Temco-Vought, Inc., and International Telephone & Telegraph Corp. (Thomas E. Kauper, currently the

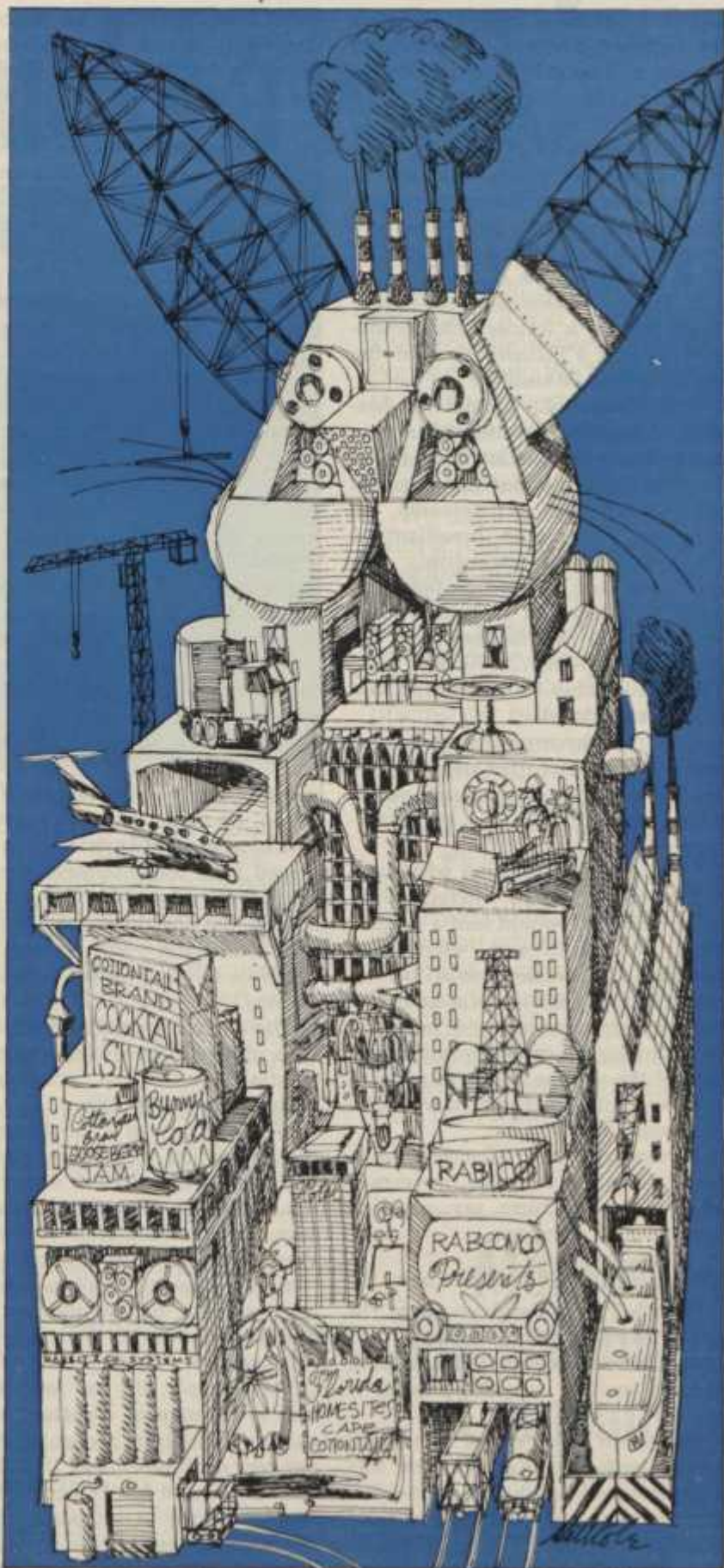


ILLUSTRATION: BILL VOLK



## The Conglomerate Doesn't Really Have Horns *continued*

assistant attorney general heading the antitrust division, has indicated he, too, will be giving conglomerates more than a once-over.)

Months earlier, the Federal Trade Commission—noting “growing concern” about the “long-run dangers of the continuation of the conglomerate merger movement”—intensified an investigation of the conglomerates’ effect on competition.

A Harvard Business School professor who is a former chief economist for the FTC also thought the matter should be studied.

With the aid of a computer, a battery of research assistants, and a grant from the National Chamber Foundation to the Harvard Business School’s Division of Research, he launched a two-year investigation. His technique: to exhaustively analyze more than 200 corporations’ answers to a series of questions about mergers and acquisitions for the years 1961 through 1970. His goal: To learn whether to recommend new antitrust yardsticks.

“The conglomerate merger wave was a phenomenon that no one knew much about from an antitrust standpoint,” says Prof. Jesse W. Markham.

“Almost everyone knew what kind of horizontal mergers—mergers within an industry—would face a government challenge, and what kind wouldn’t. Guidelines could be expressed in familiar terms of quantity. In a highly concentrated industry, for example, if a company had 10 per cent of the volume and it acquired a company with 2 per cent, it would be challenged.”

Percentages also governed antitrust guides for vertical mergers—where a manufacturer, say, acquired a supplier, or vice versa.

### “No, thanks” to a vacuum

“But,” Prof. Markham says, “if you looked at conglomerates, you couldn’t find anything. There was a vacuum inviting something to fill it up.”

Was some other set of guidelines needed, now that diversification was so widespread—with 181 of the 200 largest manufacturing corporations (according to the FTC) operating in at least 10 different product markets

each? Prof. Markham, his study now completed, thinks not. His research indicates that the wave of diversifying acquisitions and mergers, despite its size, has had little overall effect on the extent to which economic power is concentrated in this country.

It has, he says in a book titled “Conglomerate Enterprise and Public Policy,” to be published by the Harvard Business School, “left the structure of the manufacturing economy essentially undisturbed. Indexes of aggregate concentration [the share of total manufacturing activity] . . . at the largest 50, 100 and 200 industrial corporations’ levels, which had registered increases in the 1950s, remained extremely stable throughout the 1960s while the conglomerate merger wave was in progress.”

Why?

For one thing, Prof. Markham reports, while “a few aggressive conglomerates acquired many companies,” their acquisitions “accounted for a very small fraction of total manufacturing assets.”

For another, he says, many of the conglomerates were comparatively small when the diversification wave began. So firms listed as among the 100 largest manufacturers were displaced from that exclusive group by firms that had grown through acquisitions; but the displaced companies were still large—just not quite as much so in comparison to the newcomers.

The professor analyzed 65 industries in which there had been a substantial number of conglomerate acquisitions in the ‘60s.

While there was a “slight” rise in the proportion of business done by the largest companies in manufacturing as a whole during this period, he says, in the industries he studied there was an overall drop. Such “market concentration” increased in some of them, but the number of industries showing decreases outweighed this.

For example, the top four companies in a group of construction machinery producers accounted for 42 per cent of shipments in 1963, but in 1967 accounted for 41 per cent. The top four firms in industrial organic chemicals accounted for 45 per cent of shipments in 1967, but had ac-

counted for 51 per cent four years earlier. On the other hand, the four largest firms in prepared feeds for animals and fowls accounted for 23 per cent in ‘67 as against 22 per cent in 1963.

It can be argued that not enough time had gone by for the results of the conglomerates’ acquisitions to really be felt, Prof. Markham concedes. However, he says, “reasonable men will respond differently” to the question: “How long is long enough?”

### Focus on fear

The professor’s research also focused on two other fears voiced about the rise of the conglomerates:

- That it would increase “cross-product subsidization,” where profit-making branches of a diversified company would “carry” other branches, thereby giving these losers unfair advantages over their competitors.
- That it would also bestow an unfair competitive edge by encouraging “reciprocity”—the practice of “you buy from me and I’ll buy from you.”

Prof. Markham reports his study shows that in highly diversified firms, decisions on pricing “are left almost entirely to divisions and production units.” So the cross-product subsidization fear “flies in the face of what was going on in the management world,” he says, adding that a genuinely profit-oriented company wouldn’t allow itself to keep on losing money in a field when it could always find a greener pasture.

“That doesn’t mean,” he explains, “that a conglomerate never carries a losing subsidiary for several years. But it wouldn’t carry one indefinitely.”

As for the reciprocity worry, it apparently is unwarranted, Prof. Markham says. He reached this conclusion by querying companies on whether they have trade relations departments—an indication, he asserts, of a tendency toward mutual backscratching practices, though not proof of them.

Among all types of companies surveyed—both industrial and commercial—there was less of a tendency to have industrial relations departments the more highly diversified the companies were, Prof. Markham says.

Anyway, he adds, “it can be at-



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## The Conglomerate: No Horns *continued*

gued that the more varied the business, the less possibility there is of reciprocity because of the wider range of suppliers."

The results of his study appear to be in line with that of the FTC investigation, which focused on a far smaller group of companies—nine, which from 1960 through '68 acquired 348 firms with assets totaling nearly \$10 billion.

### How FTC sees it

Says the FTC:

- "The sampled conglomerates made few, and then only minor, changes in the operation of the firms they acquired. Virtually no changes were made in the administration of marketing, research and development, or purchasing."
- "These conglomerates' existing positions tend to be in industries which, on the average, are not highly concentrated and their mergers are in less concentrated industries... [suggesting that the] conglomerates have produced little, if any, of the anti-competitive effects that would result from increases in concentration."
- "The report indicates that if the alleged anticompetitive behavior of conglomerates—predatory pricing, reciprocal dealing, mutual forbearance—takes place, the indispensable condition is prior market power. The sampled conglomerates do not, by and large, seem to possess... positions... conducive to market power."

Prof. Markham emphasizes that his study didn't concern bigness in business—he notes, for example, that each of the five largest U.S. corporations generates goods and services whose value is larger than the gross national product of any one of the small countries making up the majority of the United Nations.

Nor, he says, did the study concern what would happen if conglomerates that have become big keep on growing at the same rate. If they expanded indefinitely, he says, there someday could be "problems" centering on concentration of company power in the overall economy.

However, he says, it would be "misguided" to set up a special anti-trust policy for conglomerates on the basis of what has happened so far in the markets they have entered. END

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# Why Staff Meetings Fall Flat

A successful get-together calls for careful thought and planning

*Have*



"Staff meetings begin at 9 a.m. sharp and end at 11 a.m. dull," is an old but still pithy witticism leveled at corporate gatherings.

All too often it seems that staff meetings are held each week for no better reason than that a week has elapsed since the last one.

But there are some firm believers in these get-togethers. Elmer L. Nicholson, chairman of the board and president of Chicago-based CNA Financial Corp.

"Effective communication is a must in achieving effective management, and if properly exploited, staff meetings can be one of a corporation's best communication devices," says Mr. Nicholson.

"Our regularly scheduled weekly staff meeting not only serves as a forum for discussing major issues affecting our company, but it is also a valuable source of staff meeting input and the generating of new ideas. Often after attending one of these meetings, I leave with a feeling that I have really observed corporate teamwork in action."

Alan Fredericks, an executive with the Ziff-Davis Publishing Co., New York City, is a nonbeliever.

"At one time we attempted regularly scheduled staff meetings, but I was met with a dearth of response from the people attending," he says. "In terms of time and money it just wasn't worth it, and from my point of view, I've always felt that there's much better communication and much more accomplished when you meet with a staff member on a one-on-one basis."

## A junior executive's gripe

Many junior executives feel much like Mr. Fredericks about staff meetings, and some are openly critical of them. One such executive, who is an assistant vice president in a large manufacturing plant, put it this way:

"Our staff meetings are mostly a waste of time. I could be devoting that time to my own job. Often the officer running the meeting brings up nothing but trivial problems which he could resolve himself. Then

when he finally brings up something of real importance, it's pretty obvious that he's already made the decision, and he's only there to tell us what he is going to do."

Another criticism often voiced by junior executives is that senior management people talk a good game of open discussion and group participation at staff meetings, but don't give other participants a chance to voice their views. In the presence of superiors, many people are afraid to speak up for fear of recrimination later.

There are a number of other reasons, executives say, why staff meetings fall flat:

- Meetings are conducted on a regular schedule, even though there is nothing to be discussed.
- Participants neglect to do their homework, and the result is digression and disorganization.
- The person in charge just doesn't know how to conduct a meeting.
- The meeting is held in an atmosphere which is not conducive to good discussion (interruptions, poor lighting, too many people in attendance, uncomfortable surroundings).
- The meeting lasts too long.

Staff meetings, however, don't have to fall flat. Many companies feel that they are one of management's most effective and productive devices—provided the dynamics of such meetings are understood and their possibilities exploited.

One such company is The Larwin Group, Inc., a large Southern California home-building company and a CNA subsidiary. Here's how Lawrence J. Weinberg, Larwin's chairman and president, describes the way staff meetings fit into his operation:

"We hold staff meetings monthly, with all division managers present. They are held on a scheduled date—in our case, the second Tuesday of each month from 11:30 a.m. to 1:30 p.m.

"There's a defined agenda, and each division head reports on a number of activities. The effect is that we maintain a sense of urgency through review of estab-



## Why Staff Meetings Fall Flat *continued*



lished priority dates, and we avoid duplication of effort.

"All phone calls are held and access to the meeting room is barred except for emergencies."

Mr. Weinberg has some other ideas, too, about what it takes to conduct an effective staff meeting.

"I believe in meetings being informal to encourage open communication," he says, "but formal enough to stick to an agenda so that the time allotted is spent to the greatest advantage."

Mr. Weinberg has no hard and fast rule on the ideal size for a meeting but believes that as few as possible should be invited to attend.

How do you draw out junior executives who may be hesitant to join in the discussion? According to Mr. Weinberg, by asking for specific reports from these individuals and directing questions at them.

He also believes that the physical environment of the meeting should depend on the type of meeting to be held. Formal conference rooms, for example, for regularly scheduled staff meetings. But for a "let it all hang out" brainstorming session, he prefers a more informal setting.

### Some principles to follow

Most management experts say there's no inflexible set of rules that insure success for a staff meeting, but some general principles should be followed.

B. Y. Auger, well-known author of "How to Run Better Business Meetings," lists these:

1. Hold staff meetings regularly, but not more often than necessary for worthwhile communication.
2. Balance the agenda with both performance reporting and information reporting.
3. Make the staff meeting a vital link in an action system. In other words, what's decided there should be put into practice.

Dr. Norman B. Sigband, chairman of the marketing and business communications department at the University of Southern California School of Business Administration, points out that the successful meeting is not easy to achieve. "Many firms," he says, "are under the mistaken impression that all that is necessary is to assign 14 men to a meeting room every Tuesday at 2 p.m. and dismiss them two hours later."

To be effective, says Dr. Sigband, much more is necessary, including: A need for a meeting; a friendly and cooperative climate; clearly established plans and objectives; preparation and a competent discussion leader in charge.

Perhaps the most important ingredient in conducting a well-run and productive staff meeting is leadership. Imagine the Green Bay Packers in the 1960s without a Lombardi, or the Yankees without a Stengel. Sure, the talent was there, but it took leadership to get it all together and come up with a winning team.

"You can't just cross your fingers and hope that a staff meeting will come out all right," says Mr. Nicholson. "You have to define its purposes, make sure everyone has the necessary background information, conduct it efficiently at the proper pace and in the right direction and encourage efficient and productive participation."

"You also have to be something of a Monday morning quarterback, and, through feedback, determine whether the meeting really did achieve what you set out to accomplish."

—GERALD W. PATTULLO

REPRINTS of "Why Staff Meetings Fall Flat" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



# Our Share of Global Oil Reserves: 7 Per Cent

The United States, a nation that consumes a lion's share of the petroleum produced in the world, has only about 7 per cent of the globe's proven oil reserves.

That estimate is in a U.S. Geological Survey report that gives brief resources profiles of 120 nations and six continents. Included are estimates of the potential resources of copper, nickel, cobalt and manganese in those nations and areas.

Geologists calculated proved oil reserves for the world as totaling about 634 billion barrels with 511 billion onshore, 101 billion offshore and an additional 22 billion barrels for which onshore-offshore distribution data was not available to Survey statisticians.

Asia, including the U.S.S.R., and North America are the leading oil and gas producing regions today. But Africa is supplanting North America in this role.

The report cites as the reason for the dramatic swing the disparity in "doubling time"—the amount of time it takes to double production. It's about two years for Africa, seven years for Asia and an estimated 20 years for North and South America.

Some 9 per cent of North American reserves are offshore. South American offshore resources are estimated at 1 per cent of the total; Europe has 54 per cent; and the total for Asia, including the U.S.S.R., is estimated at 16 per cent. Eleven per cent of Africa's reserves are offshore and in the case of Oceania, which consists of Australia, New Zealand and the Fiji Islands, 92 per cent are.

Estimates of total potential oil resources, both offshore and onshore, place the U.S. and U.S.S.R. in roughly the same category—between 100 billion and 1,000 billion barrels.

But, the Geological Survey report notes, "Asia alone contains over 70 per cent of all the reserves of the 120 countries." •

### The Computer Comes to the Filling Station

Oil companies are continuing to explore ways to make service stations almost totally automatic.

Amoco Oil Co. engineers Irwin Ginsburgh and Theodore O. Wagner believe one system in the future may work like this:

A driver will stop his car in a designated area, insert a credit card into a computerized control unit and select the type of gasoline he wants. From a manhole under the car, a lid will slide back and a filler device will rise out of the ground. It will probe for a filler pipe in the bottom of the car, lock in and then fill the tank as ordered, much like military aircraft are refueled in flight.

When the filling operation is completed, the unit will disengage and retract, and the cover will slide back over the manhole. Meanwhile the control unit will present the driver with a receipt.

Computer-controlled fuel dispensers of a different type already are being used.

Atlantic Richfield has such stations in the Los Angeles suburbs of Lawndale and South Gate. A credit

card activates the gas pump, and the driver then fills his car tank. The company plans additional automated facilities, on the East Coast as well as in the Los Angeles area.

A mini-computer controls the system at each station and will be tied in with the company's credit center in Atlanta, Ga., to check credit and to record transactions for billing. There's a buzzer to remind the customer to pick up his credit card. For cash customers, the system is designed to accept dollar bills. •

### A New Day in Stopwatches

That familiar sight of stopwatches hanging by string around necks at sporting events, in laboratories and in industry may become passé.

Increasingly taking its place will probably be a hand-size, battery-operated electronic stopwatch that looks like the new pocket electronic calculators. Instead of sweep second

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## The World of Industry *continued*

hands and an array of buttons, it features a digital readout.

One drawback to such units in the past has been readability. But Harper Time and Electronics, of Mountain View, Calif., has introduced a stopwatch that has a gas discharge digital display which can be read under a variety of lighting conditions, including bright sunlight.

It measures elapsed time down to a hundredth of a second and weighs 15 ounces—about triple the weight of the mechanical stopwatch. A unique "split" feature makes the electronic stopwatch two watches in one. A push of a button will display an elapsed time while the timer immediately goes back to zero and begins measuring another period. •

### How's That Again, Officer?

Designwise, the automobile speedometer hasn't materially changed over the years.

As many drivers have discovered, it is not always infallible at telling how fast a vehicle is moving, and invariably the traffic cop wins all arguments in a court of law.

The speedometers generally used in American-made autos today are driven by flexible shafts that transmit the number of revolutions to indicators on the instrument panels. While they are usually quite accurate at normal speeds, speedometers rarely retain this accuracy over the gamut of speeds driven today. Being mechanical they suffer in time from wear and tear.

But they are relatively inexpensive to manufacture, and this has been a major factor.

Now, however, Intermetall, a German subsidiary of International Telephone and Telegraph Corp., is marketing in this country an electronic speedometer which it claims can be mass produced as cheaply as the mechanical units and has none of the inaccuracies. •

### Giving a Hand to the Hauler

A four-by-eight-foot sheet of plywood or other type of wall or sheathing material sometimes seems about

as difficult for one man to handle as a greased pig or wriggling eel.

But Metaltek, Inc., a young and innovative firm in Raleigh, N.C., has come up with a make-it-easy idea so simple that the firm wonders why someone didn't think of it before.

Called a "Plywood Toter," the device has a metal channel base that is placed under the center portion of the panel to be carried. A nylon strap extends from the channel unit to a carrying handle.

The lifter uses one hand to pick up the handle and the other to steady the panel, then simply walks away with the load. The entire unit weighs eight ounces, folds easily to fit in a pocket and can be used either by right-handed or left-handed people. •

### Workers Wired for Sound—or Touch

Someday, workers at production tasks that require monitoring a number of operations simultaneously may actually find themselves wired to the job. The Navy has announced it's investigating the feasibility of convey-

ing some flight information to an aircraft's pilot by having him feel it rather than see it.

Tiny transducers, attached to the pilot's body, would send a type of stimulation or signal to the pilot when something is amiss. The objective: To reduce the pilot's dependence on the maze of instruments he now has to monitor visually.

Next winter, beginning skiers on many slopes could be learning to make it gracefully down the hill through a similar device. Called the "Ski-Beeper," it's an invention of William Mathauser of Sun Valley, Idaho, that uses a Honeywell, Inc., microswitch attached to the tongue of each ski boot.

On the skier's belt is a cigaret-pack-size electronic amplifier, which is connected to the microswitches by small wires running down his legs. When the skier is in the correct skiing position, i.e., with the knees bent, the "Beeper" is silent; but if both knees are out of position, it emits a warbling tone. The unit weighs about eight ounces, sells for about \$50, and is shock resistant. •

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# Congress Puts the Computer to Work

That electronic whiz is tallying votes in the House, and performing lots of other chores not only on Capitol Hill but in nearly every federal agency

*Handwritten signature*

PHOTO: GEORGE TAYLOR



*Rep. Wayne Hays shows a personal coded card he uses to cast electronic votes in the House.*

This summer, campers headed for the six most popular national parks may not be accepted on a first-come-first-served basis as in the past. Instead, the federal government is planning to use a computer to handle reservations because of the heavy demand for camp sites.

Addicts who check into most drug treatment centers have their footprints put on file in a federal computer for identification. This gives them more anonymity than they would enjoy if they were registered in the FBI's fingerprint file.

Still another Washington computer, at the National Library of Medicine, is feeding valuable reference material to doctors, medical schools and hospitals across the country.

Even in Congress, where members were slow in accepting electronic data processing, a computer is now being used to record votes in the House with the results flashed instantaneously on large screens in the chamber. It has cut voting time in half for the 435 members.

Both the House and Senate are finding more and more ways in which EDP can cut down on the incalculable time now spent to supply Congressional committees and individual members with information essential to carry out the lawmaking function.

The House computer is now able, in seconds, to give a member the status of any bill introduced since the new Congress got under way in January. It can provide him with the daily legislative calendar via a special computer line to the Government Printing Office.

"I can't tell you how much just these applications alone will save in reduced staff help, but it will be substantial," reports Rep. Wayne Hays (D-Ohio), chairman of the House Administration Committee, which is responsible for computers in the House. "And we have many more time- and money-saving applications that will be introduced as we go along."

One such innovation, now being installed, will enable each Congress-

man to submit a list of 10,000 names to be stored in the computer in whatever categories he chooses.

"In that way, if the member wants to make a special mailing, say, just to doctors or schoolteachers, the computer will draw only on these names," Congressman Hays explains. "You can't imagine what an improvement this is over the old Addressograph system of culling names and addresses."

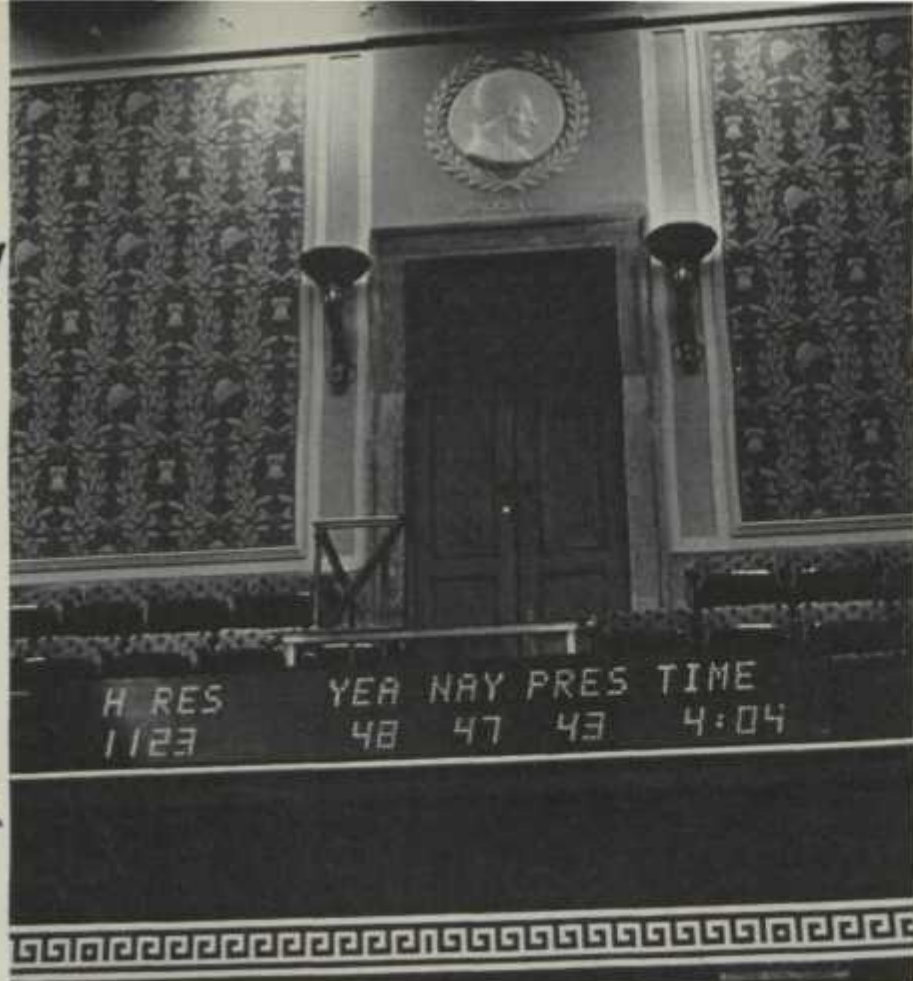
## Equating with companies

The man charged with the day-to-day operations of the House computer is former star quarterback Frank Ryan of the Cleveland Browns. Dr. Ryan, director of House Information Systems, has a doctorate in mathematics. He supervised installation of the million-dollar voting system in the House.

"The way I look at it you have to equate the needs of Congress with that of a large company or university," Dr. Ryan points out. "They have the proven tools. Think of the



System  
of  
Hays



This display panel in the House chamber tells how a tally is going and how much time remains to vote.

## Congress Puts the Computer to Work *continued*

responsibilities of Congressmen—shouldn't Congress be equally well-equipped?"

Congressman Hays, who assumed chairmanship of the House Administration Committee two years ago, has urged expanded use of the House computer. But he is particularly proud of the electronic voting system whose acceptance he pushed among members convinced it would flop.

"I had a Texas Congressman come up to me the other day and say, 'Wayne, I've been here 20 years and this is the most sensible thing I've seen yet,'" the Ohioan reports.

Automatic voting systems are not new, to be sure. Electro-mechanical systems of one form or another have been used in 36 state legislatures and several European countries. In fact, Thomas Edison was granted a patent for a vote recorder more than a century ago.

During floor debate last year, Rep. Robert McClory (R-Ill.), who authored the bill to install the system now in use, said:

"Ever since 1914 there have been recommendations of one kind or another for some kind of automatic voting here in the House. While the accurate reporting of votes is vital to this body, it is unfortunate that we have waited this long to install modern electronic equipment to more accurately and more expeditiously record our attendance and our votes."

Such voting systems are not always universally embraced, for one reason or another. The New York State Legislature spent \$300,000 to install electronic voting in 1965 and later voted to have it removed.

Some say it was abolished because it didn't prove efficient. But others contend that some legislative leaders felt they could influence voting more effectively with the slower, voice-voting method, which allows them more time to act when trends are spotted in the early stages of balloting.

But in the national House of Representatives, such apprehensions, if they existed, have given way to wholehearted support, according to

both Congressman Hays and Dr. Ryan.

Each member is issued a plastic coded identification card which he can use to vote at any one of 44 stations. A Yea vote registers green by his name on a panel running along the wall behind the Speaker's rostrum. A Nay vote is red, while amber indicates a vote of Present.

Panels on two balcony fronts keep a running tally of votes and time remaining for casting them. A member has 15 minutes to vote, the amount of time required to reach the chamber from some of the remote House offices.

A member who loses or misplaces his card still can vote by signifying his vote orally to a tally clerk who, in turn, registers the member's vote on a small console at his desk. The system is foolproof in that it won't permit a member to cast more than one vote on a single measure.

The Senate has found no need to put in a similar system. As one Senate official put it:

"We can run through a voice vote almost as fast as a computer. And we can find other places to spend a million dollars."

But the Senate, like the House, relies on the computer for a variety of other services.

Both have instituted modern budgetary management techniques with the help of EDP, using it in preparing payrolls, handling personnel records and making purchases. Records of campaign contributions to Senators and Representatives are filed away in computers.

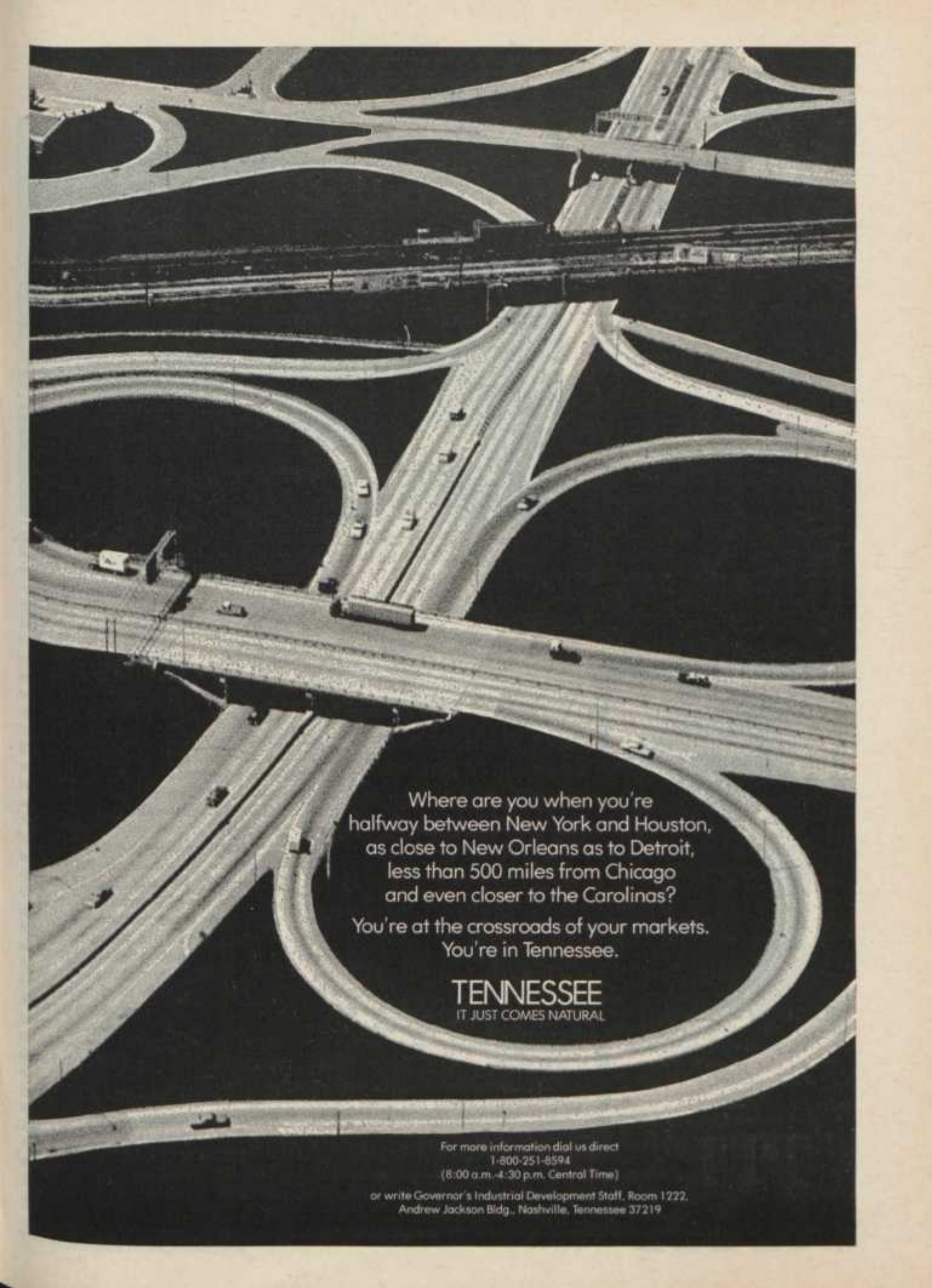
And new ways to put computers to work are being studied in both branches of Congress.

Senators and Congressmen will find themselves more and more dependent on the computer in the years ahead. The sheer complexity of their work, coupled with the demands of constituents in these days of rapid communications, will demand it.

Congressman Hays, for example, believes the appropriations machinery on Capitol Hill has become so intricate that only a computer can provide members with the kind of information they need for decision-making.

Looking further down the legisla-





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## Congress Puts the Computer to Work *continued*

tive road, one Congressman thinks tomorrow's legislator will be inextricably wired into a computer way of life. Rep. John Brademas (D.-Ind.), who also is a member of the House Administration Committee, wrote a paper in 1969 in which he projected a view of the Congressman of the year 2000.

### The world at his fingertips

This Twenty-first Century lawmaker will have at his desk a keyboard console that will enable him to tap a vast amount of legal, economic, fiscal and other information.

He will have a two-way video link-up with other members, with the Executive Office of the President, agency heads, laboratories, statehouses and universities.

He will be able to determine at the touch of a button the impact of tax proposals on the level of employment, the gross national product, and the precise inflows of revenues into

the Treasury. The computer will give him information on federal contract awards, lobbyists and the current price of tea in China.

There will be "tele-mobile" units for communication between his office and that of fellow Congressmen. It will include a "scrambler" to permit transmission of sensitive data.

"Vote for a computer-competent Congressman!" may well be one of the common campaign slogans of the year 2000," Rep. Brademas says.

Although the union of Congress and the computer was slow in coming, many federal agencies have relied on this electronic wizard for years.

While the Supreme Court has not yet seen fit to call up decisions from an electronic memory bank, the administrative offices of the Court do employ computers as an everyday management tool. Outside the Court, moreover, lawyers are finding EDP more and more useful in helping them draw on legal precedents.

"We couldn't have Medicare or Medicaid today if it weren't for the computer," says Dr. Ruth Davis, director of the National Bureau of Standards' Institute for Computer Sciences and Technology.

In fact, it was the federal government which spurred development of the computer. It was first employed by the Army after World War II to compile firing tables for field artillery.

Washington has already invested some \$8 billion in EDP and its use in a multiplicity of ways is being constantly broadened.

Not many years ago, the federal government was almost the sole user of computers. In the Fifties and early Sixties, 80 per cent of all computers were government-owned.

Today, only 6.7 per cent of all EDP systems are in government hands. Manufacturing industries are the major users, operating 37 per cent of the national total. Banking and financial institutions are moving swiftly to computerize their operations and state and local governments lean heavily on these electronic helpers.

Computers are not without critics, notably the individual citizen who is convinced his government knows too

much about him already. One national survey showed that 53 per cent of Americans believe computer files might destroy individual freedom.

Data banks have come under fire in Congress, too, where this same fear of loss of freedom has been raised.

"Yes, there is real concern that computer information can be improperly used," Dr. Davis says. "I would like to see a system of controlled acceptability built into all EDP systems. This means, of course, strict controls on how information may be released."

Despite such concerns, computers enjoy broad acceptance in business, government and industry because they perform tasks beyond unaided human ability.

### Saving millions for taxpayers

In government, computer advocates are convinced EDP is saving the taxpayers millions, if only in the area of applying modern management techniques to payroll accounting, budgeting, procurement and the like.

"I am convinced that if we are to achieve increased productivity in government at every level, we must put all record-keeping in the computer," says Dr. Davis.

She believes the computer will play its most important role in the health care area, where billions and billions of federal dollars are now being spent.

"The physician will find most of his improved aids coming from the computer," she explains. "Just consider the problems doctors have in prescribing combinations of drugs. Some drug combinations are dangerous. The average hospital patient is administered five different drugs. A computer available to the physician could tell him in a split second which drugs are compatible with others and which are not. I know I'd feel a lot safer if I were in a hospital and such a system were in use."

In the federal government today there are 5,803 individual computer systems at work, from helping the Veterans Administration assign patients to hospitals to providing the Bureau of Customs with up-to-the-minute data to stem the flow of con-

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*Dr. Frank B. Ryan, former Cleveland Browns star quarterback and now director of House Information Systems, studies a computer printout on a House vote. At his side is a video display unit.*

traband drugs across the Mexican and Canadian borders.

The Department of Defense is the major user, with 3,489 systems under its command. The remaining 2,314 are spread across scores of civilian agencies.

"Some of these computers cost as much as \$10 million to \$15 million," according to George W. Dodson, an assistant commissioner of the General Services Administration, which handles all computer purchasing for the Executive branch of government.

"Typically, though, most of the computers are in the \$1 million to \$1.5 million range. And we are installing more and more mini-computers which cost from \$10,000 to \$15,000."

The government is relying heavily on the computer as an aid to communication. On the basis of an outside study, GSA has combined all data processing and communications functions into a single network which it calls the Automated Data and Telecommunications Service.

Last year, when hurricane Agnes devastated the Eastern seaboard, ADTS moved swiftly to coordinate all emergency communications. In

Wilkes-Barre, Pa., where the main telephone building was buried under almost seven feet of flood water, ADTS almost overnight installed 3,500 telephone and 350 portable radio communication sets.

In 1964, a forgotten cache of 2.9 million silver dollars was discovered in an underground vault at the Treasury Department where they had gathered dust for 60 years.

Congress directed the GSA to make these coins, minted at the old federal mint in Carson City, Nev., available to all American citizens who might want to buy them. They would be sold on the most equitable basis possible.

Again, the computer was put to work. A complicated computer system for taking care of thousands of bids was devised. The proposed sale of the old silver dollars was given maximum publicity.

An order handling operation was set up in San Francisco to receive checks, process them into the computer and answer mail. All this required a planning staff of just eight people—and a computer—and brought in an estimated \$120 million to the Treasury. **END**

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## This Month's Guest Economist

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# The Pension Balancing Act

"Das Kapital," the highly controversial treatise on theoretical economics by Karl Marx, contained at least one gem of wisdom: Marx suggested that sociology and economics could not truly be separated.

The observation is borne out by the nation's problems with superannuation—the process whereby people tend to outlive their means of support. A generous measure of both social and economic issues is involved in the increasing demands for secure retirement systems.

Put simply, the difficulty revolves around how to perform a balancing act between a reliable retirement system and the obvious desirability of high individual and corporate profit motivation.

Government and business are severely challenged, and if we look at the scarred faces of many pension fund trustees who were embattled in the 1969-70 stock market slide, we must ask if the present system for providing support for the retirees is adequate.

Social Security benefits have risen but are inadequate by themselves. Medicare has thus far fallen short of the mark because of its structure and administration.

The business community has become aware of its increasing responsibility in the pension funding area, not simply as a fiscal participant in funds, but in providing specialized expertise to guide the funds toward maximum benefits.

Out of this challenge and with the help of the Internal Revenue Service and such responsible government officials as former Rep. Eugene J. Keogh—whose Keogh Act created a means for self-employed people to fund their

own retirements—a host of new techniques has emerged: Variable annuities, variable life insurance, salary savings and thrift plans.

The emergence of these plans, coupled with the continued growth of traditional pension and profit-sharing plans, contributes to the institutionalization of retirement funds, a phenomenon that has profound significance in the securities markets.

It is common knowledge that institutions are responsible for well over half the trading on the New York Stock Exchange. Pension funds alone have five times as much money as the entire mutual fund industry. So, while much pension money is quite properly in fixed-income securities, superannuation has become big business on Wall Street.

One interesting trend is that toward split financing or funding and, ultimately, multimanagerment. Led by American Telephone & Telegraph Co., which decided in 1960 to spread the responsibility for managing its pension fund among several institutions, retirement plan trustees today are seeking multimanagerment in increasing numbers.

Within the last year, about 60 per cent of all sizable corporate pension funds have gone to more than one manager. In addition to the traditional bank and insurance company money managers, investment advisory firms are being invited to make presentations. This movement has taken on fad proportions, to the point where even trustees with \$10 million or less are selecting more than one manager.

However, unless a fund has \$25 million or more, I think multimanagerment is a mistake—it creates a competitive atmosphere in which huge

losses can occur in bad markets, and it leads to administrative duplication and ultimately to errors.

A larger trust should seek more than one manager—enough of them so that no single manager is handling more than \$100 million (unless the fund is committed to a relatively inactive fixed-income portfolio).

The implications for the future are imposing. The economy's status is somewhat similar to that of the late 1940s when emphasis shifted from war to peacetime expansion. In addition to the need for continued development of new financing and building techniques, the need for long-term investing is vast.

Retirement plans collectively are an enormous source of private investment capital. Since they are not subject to tax and since the long-term mortgage market will be increasingly in need of capital, the pressures may grow for legislation that will allow for a portion of all retirement plan assets to be made available for long-term mortgages.

Other changes are occurring. Three years ago, our firm started a closed-end investment company to specialize in privately held companies. We thought we could be instrumental in developing new goods, services, techniques and technologies—the continuing basis of the private enterprise system.

This created exposure to many situations that were of sound quality but too big for us to handle alone. It became clear that certain investments could be tailored to meet many needs, including those of certain retirement plans under our management. In the future, retirement plans may increasingly become the sources of such creative capital with a modest portion of their assets.

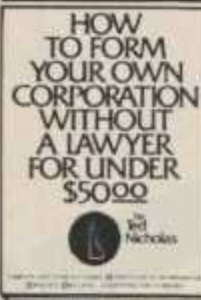
Also, retirement plans could participate in the construction and development loan market with a similar amount of their assets. These loans should be carefully selected, with long-term takeouts arranged in advance. Yield is usually about double the prime rate.

Finally, we should keep our eyes on the Nixon Administration's proposal last month to extend the principles of the Keogh Act, which would greatly expand the ability of individuals to provide for their own retirement.



# How to form your own corporation without a lawyer for under \$50<sup>00</sup>

By Ted Nicholas



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BY GROVER HEIMAN

Associate Editor

## AGRICULTURE

Sunflowers, one of the world's leading oilseed crops, have been grown commercially in the U.S. only on a limited basis, but this is likely to change.

Acreage has been increasing steadily, says the Department of Agriculture, reaching 600,000 last year. Production has centered in Minnesota and North Dakota.

Further plantings will be stimulated by growing world demand for edible oils. Plant experts say that introduction of higher-yielding hybrid oilseed sunflower varieties in the next few years should improve the competitive position of sunflowers in all growing areas. Present yields run around 1,000 pounds per acre.

## CONSTRUCTION

We may be taking a tip from the British in protection plans for home buyers—with the impetus coming from builders.

There's a strong likelihood that the National Association of Home Builders will campaign for adoption of a voluntary insurance plan similar to that used by Britain's National House Builders Registration Council.

In Britain, for a maximum fee of around \$25, a home buyer gets a 10-year policy that protects him against building defects. To qualify him for the insurance the builder must

be registered with the Council and the house must be checked by a special group of Council inspectors.

Real teeth in the British system come from lenders who won't grant a mortgage unless the builder is registered.

To install such a program in this country would require support of lending institutions and a system of registering builders, either with a private group or with government agencies. Oregon is the only state that now has a law requiring registration.

## NATURAL RESOURCES

The once-declining production of recycled paper is expected to maintain the modest upswing it managed in the last two years, but industry experts don't envision meeting the goal the National Academy of Sciences suggests for 1985.

The Academy would like to see 35 per cent of waste paper tonnage recycled then. But the American Paper Institute sees a 26 per cent rate as the best achievable, and only if a lot of factors are favorable.

Three years ago, 20.5 per cent of the nation's waste paper was recycled. According to the Midwest Research Institute, which conducted a study for the Paper Institute, this rose to 21 per cent in 1972. But the research group warns that unless things change, recycling not only may not increase but may drop to 17 per cent by 1985.

One key factor, industry officials say, is a need for a federal tax credit on each ton of

paper reclaimed. Others, they say, are the extent of the industry's investment in equipment, and the degrees to which new types of recycled products, and markets for such products, can be developed.

Thomas N. Stainback, executive vice president of the New York Chamber of Commerce, which conducted a two-year study of recycled paper use among its corporate members, reports there are many firms that would like to develop paper mills close to urban centers and use waste paper as their principal raw material. But to do so, he says, they must be assured of a market for recycled paper products.

Central goal of the New York Chamber study was to encourage development of such markets. There is no shortage of raw material for paper recyclers, the study made it clear. Half of New York City's daily accumulation of garbage consists of paper products.



## CREDIT AND FINANCE

After a bit of face-lifting, the proposed Federal Financing Bank is before Congress again.

If created, its function will be to centralize the marketing, and reduce the cost, of federal agencies' direct and guaranteed borrowing activities. Instead of each agency independently going to the private markets for funds, the bank will do their financing for them by selling its own securities.

Legislation got past the committee stage in Congress' last session, but never came to a final vote. The latest bill has two major changes—one that appeals to state and local governments, and one that bothers many in the construction industry.

Under the bill, securities the bank issues would be subject to state and local taxation to the same extent as the obligations of pri-

vate corporations—meaning a new revenue source for states and localities.

Home builder concern comes from a provision that the Treasury Secretary would have to approve the market financing aspects of certain guaranteed obligations, such as those from quasi-governmental agencies.

In past proposals, the Secretary's approval would have been required on obligations sold by federal agencies, but not on those they guaranteed.

Construction men who like government interference kept to a minimum point out that the change would encompass FHA multi-family mortgages, GNMA mortgage-backed securities, and public housing loans, among others. Presumably, FHA and VA single family mortgages would not be involved.

## FOREIGN TRADE

After a highly successful foray into Europe last year, the "Invest in the U.S.A." program is landing in Japan this month.

A joint effort by the U.S. Department of Commerce and the National Association of State Development Agencies, it involves holding seminars to bring together Japanese businessmen and delegations from 36 U.S. states.

Two-day Japan Reverse Investment Semi-

nars will be held in Tokyo and Osaka. Up to 400 Japanese industrialists in each area plan to attend.

Last year the response in Europe resulted in 70 firms investigating the possibilities of opening U.S. installations. The program went over particularly well in Sweden. Four Swedish firms have since started operating here and 10 others are expected to do likewise.

## MANUFACTURING

Offhand, it seems unlikely that a tire dealer would manufacture tires right on his premises, but in the future there may be a lot of little Akrons around the country.

Prompted by a shortage of recappable truck tire casings several years ago, Bandag, Inc., of Muscatine, Iowa, a leader in the truck tire retreading industry, began development of a treadless casing.

The result is a 12-ply nylon cord casing that is now being capped with a precured

tread by individual dealers—which in effect makes them tire manufacturers.

Only about 200 degrees Fahrenheit is required to fix the tread to the casing.

Company officials say their "cold tread method" yields a tire that is more puncture-resistant than hot cap retreads or the general run of new tires. The tread is precured alone at the factory under pressures greater than is possible when tread and casing are cured together, they explain.

## TRANSPORTATION

Truck hijackers aren't going to be enamored of a Dick Tracy-type security device the Department of Transportation is developing for theft-plagued areas.

Called an "electronic vehicle identification system," it's aimed at aiding police in helicopters to locate stolen vehicles through a spin-off of IFF—Identification Friend or Foe—an air defense recognition gadget used by the armed forces since World War II.

The new device is a small battery-powered receiver-transmitter, estimated to cost less than \$50, which is to be installed in trucks. The transmitter section will only operate when its receiver gets the proper coded signal from a police helicopter.

Then it will transmit its own, one-of-a-kind, coded signal that identifies it as being on the hijacked vehicle.

The device is being built for DOT by Hoffman Electronics Corp., El Monte, Calif. It will have an effective range of around 1,500 feet, which will allow a helicopter unit to locate a missing vehicle in a relatively small area.

The Army Electronics Command, Ft. Monmouth, N.J., is developing a more sophisticated device for DOT. A ground unit, it could be positioned at any number of locations throughout a city, such as major intersections, bridges, etc., to spot trucks, equipped with hidden transmitters, which have been reported stolen.

DOT officials are hopeful of running tests on both systems later this year in the Greater New York area, where hijackers have been a particularly grave problem. [See "Crime: A Crushing Burden for Shippers," *Nation's Business*, December, 1972.]



## Editorial

# Situations Wanted

If you sometimes have trouble handling your debts, pity the government.

It's pretty well known that the interest on the more than \$470 billion the nation owes costs us taxpayers almost \$23 billion a year.

But did you know that Uncle Sam has 2,554 people engaged in "administering the public debt" at an annual cost of \$75 million? No doubt they work hard, handling that huge debt.

If the budget-busters have their way, those costs are bound to get another shove upward. The President is trying hard to hold them down.

Wouldn't it be wonderful if all those debt managers could eventually be freed for other jobs?





1. King Air C90—Most economically priced executive turboprop on the U. S. market.



2. King Air E90—Six- to ten-place executive turboprop with 253 mph top speed.



3. B99 Airliner—Fifteen-place commuter airline turboprop with 284 mph cruise speed.



4. King Air A100—Eight- to fifteen-place executive turboprop with 285 mph top speed. A King Air A100 delivered recently to Miles Laboratories, Inc., Elkhart, Indiana, was the 1,000th turboprop produced by Beechcraft.



5. Army U-21—Military aircraft and troop transport for U. S. Army.

# Fly with confidence. Fly with the world's leading authority on turboprop airplanes: **Beechcraft.**

Beechcraft recently established a record of production and experience that will stand for a long time; they delivered the 1,000th Beechcraft turboprop, a King Air A100 executive turboprop. Currently, production figures have topped the 1,090 mark.

No other manufacturer in the world comes close to matching this record. Beechcraft is the world's largest producer . . . and the world's leading authority . . . on turboprop airplanes.

According to figures published by Aviation Data Service, Beechcraft turboprops comprise 54% of all U. S. business aviation turboprops produced to date.

In terms of business aviation turboprops under 12,500 lbs., Beechcraft has produced 69% of the U. S. total . . . and 48% of the world production total.

The Beechcraft turboprop fleet has

logged an impressive 2,487,072 hours of utilization, which translates into 496,664,850 miles of travel . . . all of it with a safety record and a dependability record that are equally impressive.

Of the first 1,000 turboprops delivered by Beechcraft, 978 are known to be in active service, with 809 in the United States and 169 stationed abroad. General Aviation and civilian use account for 781, while 166 are assigned to key roles in government service.

Beechcraft entered the turboprop field in 1964 with the introduction of the King Air 90, and since that time has carried forward a program of continual product upgrading . . . upgrading that reflects the latest advances of aviation and aerospace technology.

In addition, the Beechcraft turboprops benefit from the largest, most

professionally trained and quickest-responding service support program in corporate aviation. A worldwide network of service centers take constant advantage of a 24-hour computerized inventory system that speeds spares and accessories to you when and where you need them.

What it all boils down to is this: Anyone who is considering the purchase of a turboprop airplane should check with Beechcraft first.

Because Beechcraft is first.



Beech Aircraft Corporation  
Wichita, Kansas 67201



# Caprice bends over backward to put you at ease.



Caprice Sport Sedan in front of the San Francisco Opera House.

Comfort and luxury are inseparably tied together in Caprice.

Like the available reclining passenger seat, shown above, that independently adjusts up and back. Sink back into this sumptuous seat and watch the world go by.



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Stretch your legs out. Way out. You've got a good yard or so.

Reach out, feel the new soft rim steering wheel—power steering, of course.

Look around. Handsome woodlike vinyl accents, rich feeling knit cloth or pattern cloth fabrics, assist grips on the front doors.

1973 Caprice. You might not want to look any higher.

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